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"BIG TEX" AT STATE FAIR, DALLAS

(Photo: Courtesy Dallas Chamber of Commerce)

AMERICAN SOCIETY OF INSURANCE MANAGEMENT

VOLUME 4

JULY 1957

NUMBER 4

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LINDA BURKE

Editor

We Honor . . .

Dallas-Fort Worth Area Chapter, ASIM. Its officers and members are constantly and consistently contributing toward the rapid growth and progress of the American Society of Insurance Management, Inc.

In the great state of Texas where everyone expects everything to be "BIG," the achievements of the Dallas-Fort Worth Area Chapter are no exception. This chapter thinks BIG, it acts BIG, and it accomplishes BIG things.

About the cover . . .

"Big Tex" greets visitors from all over the world who come to the Dallas State Fair, the largest (naturally) in the United States. In typical Texas fashion, "Big Tex" looms above the crowds on the Midway waving a "Howdy, Pardner?" to everyone.

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DALLAS-FORT WORTH AREA CHAPTER

The Dallas-Fort Worth Area Chapter of the American Society of Insurance Management Inc., was organized in the fall of 1955. The postwar industrialization of the two cities had resulted in the establishment of a considerable number of manufacturing and distribution establishments of national scope. As a result, there were a significant number of corporate insurance managers, some of whom were then individual members of ASIM. Recognizing the need for an organization in which members of the insurance management profession could meet and exchange ideas and information, these individual ASIM members went to work and solicited the area insurance managers known to them. With an initial response from some thirty companies, and the assistance of W. H. Clem, past president of the Houston Area Insurance Buyers Association and Regional Vice President of ASIM, the Dallas-Ft. Worth Area Chapter was begun.

Dallas and Fort Worth are officially thirty-two miles apart, but the urbanization of North Texas in the last few years has all but closed the gap between the two cities along the two main highways connecting them. Both cities have enjoyed a rather large and continuing growth since 1940, and both have experienced material changes in their economy. Prior to World War II, cotton, cattle and distribution were the mainstays of the cities' existence. While there was, of course, considerable light industry in the pre-war years, the accelerated growth of industry really began with the construction of two large aircraft plants during the early part of the war. The aircraft industry came to stay; there are now four major plants employing over 50,000 people, with numerous sub-contractors and suppliers.

Dallas, the United States' largest city not served by water transportation, is one of the nation's leading producers of guided missiles, military aircraft and electronic equipment. It is the home office city of three of the largest manufacturers of oil field machinery in the world.



Officers of Dallas-Fort Worth Area Chapter, ASIM: From left to right: T. T. Redington, Jr., vice president, (Dresser Industries, Inc.); Harold W. Palmer, secretary, (The Frito Company); Miss Annetta Johnson, treasurer, (The Murray Company of Texas, Inc.); and D. C. Morris, president, (Chance-Vaught Aircraft, Inc.).

There are over a thousand companies in the oil industry with offices and other facilities in Dallas. The city is known as the banking capital of the Southwest, with twenty-two commercial banks. Two of these banks each have the largest capital structures and lending capacities south of Chicago and east of Los Angeles.

Dallas is the retail shopping center for the Southwest and is one of the leading billion dollar retail markets in the nation. In the six years between the 1948 and 1954 U. S. Census of Business, retail sales increased fifty-five percent, the largest percentage increase of any of the billion dollar markets. Recognized as one of the fashion centers of the country, the city has numerous women's clothing manufacturers having national distribution.

Often called the "Athens of the alfalfa fields," Dallas sponsors a year-round program of cultural attractions, including a full winter concert season by its symphony orchestra, a twelve-weeks summer musical series (which is becoming known as "Broadway's summer home"), annual visits by the Metropolitan Opera, five legitimate theatre groups, an excellent museum of art, an active Council on World Affairs, and several series of lectures and concerts. There are approximately one hundred parks in the city; there is also a sixty-acre zoo, an aquarium, a museum of

natural history, a complete health museum and the largest State Fair in the United States. As a center of education, Dallas has Southern Methodist University, The University of Dallas, The University of Texas Southwestern Medical School, Baylor University College of Dentistry and Dallas Evening College.

In the field of insurance, Dallas is generally regarded as the third largest center in the nation. There are 215 insurance companies with their home offices in the city. Three of the life insurance companies headquartered in Dallas reported over a billion dollars insurance in force at the end of 1956. One of these companies is now building a forty-two story home office building.

In the thirty miles between Dallas and Fort Worth a rather remarkable contrast takes place. Fort Worth is known as the city "where the West begins." Whereas Dallas has a somewhat urbane and sophisticated atmosphere, Fort Worth is the city of the western hat and cowboy boots, with the easy-going informality of a western town.

Fort Worth is the site of the country's second largest stockyards; it is also one of the big meat processing centers. Cattle, sheep and hogs are brought to market here from many parts of the state. Two national packing houses have plants adjacent to the yards.

(More on page 4)

Dallas-Fort Worth Chapter

(From page 3)

Carswell Air Force Base, one of the Strategic Air Command's intercontinental bomber bases, is located in Fort Worth. Nearby is the aircraft plant where many of these bombers are built. It is here that much of the design and construction of the United States' supersonic aircraft program is being accomplished.

West of Fort Worth are the vast cattle ranches and farms, and some of the world's largest petroleum deposits. As a major supplier of the West Texas economy, Fort Worth's trade area encompasses a very large territory extending to the South Plains, south of the Panhandle.

The Dallas-Fort Worth Area Chapter membership represents a fairly comprehensive section of the area's economic activities, having

members from the following industries: oil and gas, aircraft, electronics, steel, food and beverage, publishing, public utilities, paper construction, machinery and wholesale and retail distribution. Programs of the monthly meetings have been arranged to provide discussion of many phases of insurance. After seven years of subnormal rainfall, the field of flood insurance was of academic interest only to most of the local insurance managers until the recent spring floods in Texas. It now appears that a fuller discussion of the field will be called for in the near future.

Talks by the Chapter's own members have provided some of the most interesting programs. In this issue is a paper by Don H. Mackaman on insurance and liability aspects of lease contracts. Mr. Mackaman gave this address at the April luncheon meeting. At the May meeting, T. T. Redington, Jr., Chapter vice-president, spoke on the

subject of "Administering a Centralized Insurance Program for a Group of De-Centralized Companies."

The membership is confident of the future growth in size and influence of ASIM. With the rapid industrial expansion of the Dallas-Fort Worth area expected to continue, it is hoped that this chapter will be able to contribute to ASIM's progress. Progress is accompanied by problems affecting insurance. The action recently filed by a woman resident of a small Texas town against one of the aircraft manufacturers, charging that the sonic boom from a supersonic jet fighter had injured her and damaged her house presents one of the latest insurance problems to be encountered in this area.

(Written especially for *The National Insurance Buyer* by Harold W. Palmer of The Frito Company, and Secretary of Dallas-Fort Worth Area Chapter, ASIM.)

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Semi-Annual Dinner Meeting of the American Society of Insurance Management, Inc., May 7, 1957, Hotel Statler, New York.

LEASES and INSURANCE

by
D. H. Mackaman

(Speech delivered before the Dallas-Ft. Worth Area Chapter, ASIM — April 1957.)



service company whose associated companies operate 58 bakeries in 20 states, selling their products under the brand names of "Rainbo", "Colonial", "Manor", and "Kilpatrick's".

Mr. Mackaman started with the Campbell Taggart organization in 1933 at the Colonial Baking Company in Des Moines, Iowa while he was still in the Drake University Law School.

He has been admitted to the bars of Iowa and Texas and is a member of the Dallas Bar Association, the Texas Bar Association, and the American Bar Association. He has been active on the industrial relations work of the American Bakers Association and has served on Industrial Relations committees and Insurance committees of the Texas Manufacturers Association. He is presently program chairman of the Dallas-Fort Worth Chapter of the American Society of Insurance Management.

Mr. Mackaman's talk before the local ASIM Chapter followed closely his Law Review article entitled "Subrogation — A Landlord-Tenant Problem", published in the May 1955 issue of the Drake University Law Review.

Thesis

The thesis of this paper is that neither the landlord, nor the landlord's insurance company, should be permitted to collect damages from the tenant for a loss to the landlord's property that was insured—or should have been insured—under a Fire and Extended Coverage insurance policy.

Rent Pays Premium Importance of Lease

The rent that a tenant pays covers not only the profit on the risk capital invested by the landlord,

D. H. Mackaman is a member of the Law Department and is the Insurance Manager of Campbell Taggart Associated Bakeries, Inc., Dallas, Texas. Campbell Taggart is a bakery

but such usual items of overhead as depreciation, repairs, taxes, and insurance. Having paid for the landlord's insurance by paying the rent, the tenant should receive the protection of that insurance. With a properly written lease, he does get that protection, without additional premium, and without hardship upon the landlord. Without such a lease, the tenant may be called upon to reimburse the landlord's insurance company for a fire loss paid to the landlord.

Present Lease Practice

A completely unscientific sampling of the printed lease forms used in a few cities, several form books, some articles written from the tenant's viewpoint, and some leases prepared by tenant's attorneys, indicates that tremendous obligations in this regard are being placed upon tenants, with no corresponding benefits to landlords—all having the effect of giving a benefit to the fire insurance companies that they no longer want, and to which, in fairness, they are not entitled. Possibly lawyers preparing leases should integrate their thinking more closely with present day insurance procedure.

Fire and Extended Coverage

A Fire and Extended Coverage policy insures the perils of Fire, Lightning, Windstorm, Hail, Explosion, Riot, Civil Commotion, Smoke, Aircraft, and Land Vehicles—all subject to certain limitations and exceptions. Not among the exceptions, however, is the negligence of the assured nor the negligence, recklessness, or even malice of third persons—indeed, many, if not most, of the fire losses paid are in some degree the result of negligence.

Subrogation

Standard fire policies contain a provision substantially as follows:

"This company may require from the insured an assignment of all right of recovery against any party for loss to the extent that payment therefore is made by this company."¹

This right of subrogation would exist even without this wording in the policy.² Those rights which a landlord would have against his tenant, whether based on tort or contract, the landlord's insurance company would have against the tenant.³

(More on page 24)

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Federal Income Tax Problems

—fire and casualty insurance

by

Paul D. Seghers

(Based upon a talk delivered at the
January 24, 1957 Meeting of
the New York Chapter of the
American Society of Insurance Management Inc.)

This discussion is limited to the Federal income tax consequences of casualty losses of business property and the receipt of *insurance proceeds* with respect to such losses.

The first step is to determine the amount of the casualty loss, before taking into account any insurance proceeds.

Determining the Amount of the Loss

A radically different method of computing the amount deductible as a casualty loss in the case of partial destruction of business property is embodied in a recent decision. It can best be understood by considering the rule the Internal Revenue Service applies in the case of storm damage to residential property, such as buildings or ornamental trees. The Treasury's Regulations provide that the amount of such loss is equal to the excess of the fair market value of the entire property before the storm, over such value after the storm. This is subject to the limitation that, if the amount of the loss so determined is greater than the "adjusted basis" of the property damaged, the amount of the deductible casualty loss is limited to the amount of such "adjusted basis."*

*Adjusted basis means, in general, the cost of the property, including all permanent improvements thereto, less the amount, if any, of depreciation allowed or allowable with respect to such property (to the date as of which the basis is determined).

This method of computation has

long been considered a rather liberal treatment of the individual taxpayer; it is, in fact, one of the few exceptional cases in which the Internal Revenue Service treats a deduction for a personal expense or loss more liberally than a corresponding business deduction. The Treasury has, for many years, adhered to a different rule, referred to herein as the

"pro-ration rule," for the computation of losses resulting from the partial destruction of business property. Strangely enough, until quite recently, apparently no one ever seriously questioned the correctness of the latter rule. That rule is very simply stated in the Treasury's latest bulletin on casualty losses. If the property damaged is business property, the computation under this pro-ration rule, as illustrated by an example given in that bulletin, usually results in a lesser deduction than the actual loss. The bulletin gives an example of a casualty loss of business property, in which the actual loss is \$3,000, and it is stated that the allowable deduction is limited to \$1,500. If a fire loss of \$3,000,000 were involved and only \$1,500,000 allowed as a deduction, the seriousness of such limitation would be more striking.

About the Author . . .

Paul D. (d'Orange) Seghers was born in New Orleans, Louisiana.

He is currently a practising attorney and a Certified Public Accountant in New York City, specializing in Federal Taxes.

He is a member of: American Bar Association, Federal Bar Association, New York Bar Association, American Institute of Accountants, and National Association of Cost Accountants.

He has lectured at: University of Pittsburgh, Tulane University, University of San Francisco, Temple University, University of West Virginia, and many Tax Forums.

His articles have appeared in: Journal of Accountancy, Taxes (The Tax Magazine), Forbes Magazine, and National Tax Journal.

He is a former editor, Federal Tax Service for Prentice-Hall, Inc.

The Treasury's Rule Over-Ruled

Finally, the validity of this "pro-ration rule" has been tested in court. The decision in the lower court was against the taxpayer, but the taxpayer fortunately had sufficient courage and conviction to carry the case up on appeal and won. The taxpayer was allowed the deduction for this business casualty loss computed in the same manner as had been applicable all these years to personal casualty losses—that is, the amount of the casualty loss deduction was held to be equal to the excess of the fair

(More on page 20)

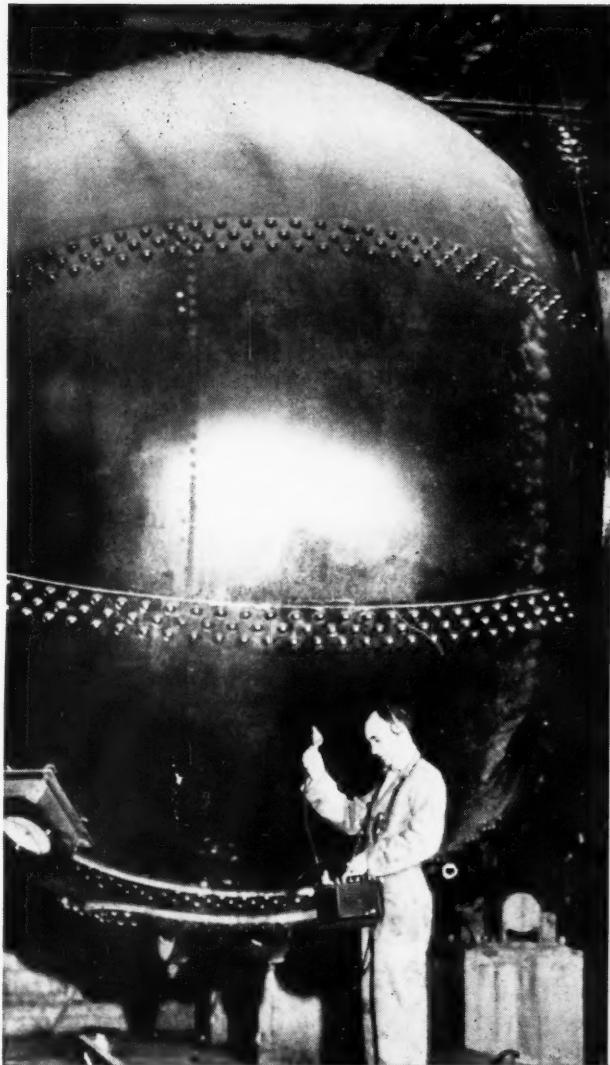
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ALL FORMS OF PROPERTY AND CASUALTY INSURANCE AND BONDS

Divisions of **KEMPER** Insurance

The American Consumer Views Insurance

by

C. Henry Austin



C. Henry Austin

C. Henry Austin, a graduate of Washington University School of Law at St. Louis, is a member of the Missouri and Illinois bars. After doing general trial and corporation work with a Chicago law firm, he joined Standard Oil Company (Indiana). While an attorney in its Law Department he represented the company in many fields in the general practice of law. In 1950 he was appointed manager of Standard's newly organized insurance department. Mr. Austin is a member of the American Bar Association (a member of its Casualty Insurance Law Committee, Section on Insurance Law), the Illinois and Chicago Bar Associations; a director of the American Society of Insurance Management, Inc., and past president of its Chicago Chapter.

(Address before International Insurance Conference, University of Pennsylvania, Wharton School of Finance and Commerce, Philadelphia, Pennsylvania, May 22, 1957.)

I appreciate this opportunity to present the managerial view of insurance. The viewpoint that I will express, while not intended as an indictment of the American insurance industry, may be regarded by some as hypercritical.

Be that as it may, these remarks are intended to help your industry—to help insurance managers—to help the industries we represent.

The word "management" has extremely wide application. It includes management of firms engaged in mining, manufacturing, merchandising, publishing, banking, transportation, utilities and even insurance itself. It includes the entire range of industry from the single plant manufacturer of specialty items to integrated industrial giants.

If my paper were restricted only to universal views of this group regarding insurance, it would consist of nothing more than a few barren truisms. Instead I propose to set forth a view of the insurance industry which I believe is representative of that portion of management which is concerned with and responsible for the elimination, reduction or transfer of risks. I am certain, however, that anyone wishing to do so should have no difficulty in finding among management other views which differ. And what is true of all general statements is also true here. A diligent investigator can find individual variances which do not fall within the population I have sampled.

* * *

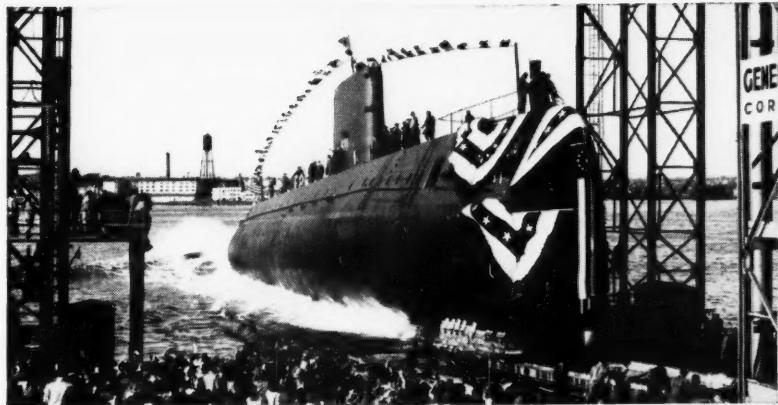
The variety of methods employed by management in dealing with insurance matters is almost as wide as the variety of industries. When all of these methods are examined, however, they are found to fall into four general classes.

First, there are some firms, usually wholly owned in which the president and or owner lets his broker handle all the details of his insurance requirements. There are several reasons why he may do this—he either hasn't the time to devote to insurance or underestimates the importance of it; he does not understand it; he reposes the fullest confidence in the integrity and ability of the broker, or he wants to see his daughter's husband succeed as an agent or broker.

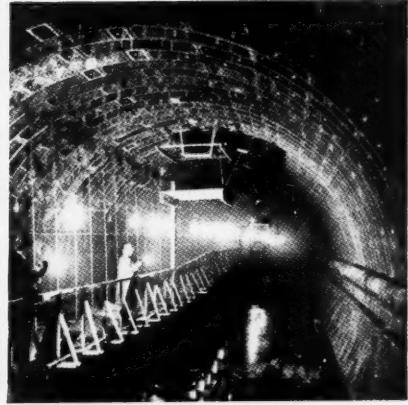
In the second general class are firms in which the responsibility for insurance is assigned, more or less, to the treasurer, secretary or some other officer. Within this group there is great variation in the degree of responsibility so assigned, and the degree of competence with which it is discharged.

The third group consists of those organizations which employ a full-time insurance manager or, to use a more recent term, a risk manager. He has a secretary and, in some instances, an assistant. Again, there is a wide variation in the extent and degree of responsibility resting with this individual. In general, however, his responsibilities

(More on page 27)



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New York Chapter's Seminars Draw Large Attendance

When New York Chapter, ASIM, launched its program for monthly seminars, it conceded that this was a big task — but not nearly as big as the attendance figures which have just been released:

October 16, 1956 — Boiler & Machinery — 51
November 9, 1956 — Workmen's Compensation — 40
December 14, 1956 — Fire & Supplementary Perils — 38
January 15, 1957 — Public Liability — 44
March 12, 1957 — Self-Insurance — 35
April 16, 1957 — Crime Insurance — 40
May 14, 1957 — Employees Benefits — 36

Groundwork for the Seminars started in June of 1956, when a letter and questionnaire was sent to each member of New York Chapter:

"The Board of Directors of New York Chapter, ASIM, has approved a program inaugurating a series of Seminars during the coming year, in addition to the regular monthly luncheon meetings.

These Seminars will be conducted under the auspices of the various Committees of New York Chapter and will provide an opportunity for discussion of current problems in specific fields of exposure. They will provide a training ground for you and the members of your staff. They will provide one of the most instructive and constructive programs set forth by New York Chapter, ASIM.

To assure the success of this program, we are asking the full cooperation of our members in serving as Committee Chairmen and/or Committee members to work with the staff to organize these Seminars and to obtain the best talent possible to conduct them.

Will you please fill out the enclosed questionnaire and return it to us before July 1, 1956?

*Peter A. Burke, Managing Director
questionnaire enclosed"*

Wm. D. McGuinness, Insurance Manager for the Port of New York Authority, was president of New York Chapter during 1956 and 1957 and the following chairmen were in charge of their respective Seminars:

Public Liability — George Mearns, Sunshine Biscuits, Inc.
Boiler & Machinery — Robert B. Schellerup, Union Bag-Camp Paper Corp.
Crime Insurance — Andrew S. Hall, General Aniline & Film Corp.
Employee Benefits — John Nees — United Hospital Fund of New York.
Fire & Supplementary Perils — Paul A. King, Bigelow-Sanford Carpet Co.
Self-Insurance — L. W. Mosher, General Electric Company.
Workmen's Compensation — Claude H. Rice, The Babcock & Wilcox Company.

Total attendance for all Seminars was 284. These were all one-day Seminars and in addition to the regular monthly meetings of New York Chapter.

New York Chapter Celebrates Its 25th Anniversary

On June 27th, 1957 New York Chapter, ASIM, celebrated its 25th Anniversary at a reception and buffet luncheon at the Sheraton-McAlpin Hotel in New York City.

Honoring the past presidents of the Insurance Buyers of New York (1932), Risk Research Institute, Inc., (1935), New York Chapter, NIBA (1951), and New York Chapter, ASIM (1955-1956), the following past presidents were given Certificates of Award for their service and devotion to their office.

1932-1935 George E. Rogers

1935-1939 A. M. Schmidt

1939-1941 Ralph Bell

1941-1943 J. A. Robinson

1943-1944 R. D. Guernsey

1944-1946 George E. Rogers

1946-1948 W. J. Fitzsimons

1948-1950 Harry E. Goodell

1950-1952 Ernest L. Clark

1952-1953 B. E. Kelley

1953-1955 Claude H. Rice

1955-1956 Raymond Cox

New York Chapter Elects New Officers

Preceding the reception and luncheon for the past presidents of New York Chapter, ASIM, celebrating its silver anniversary, an election of officers was held on June 27th by New York Chapter.

H. Stanley Goodwin of McKesson & Robbins, Inc., and 2nd Vice President of the American Society of Insurance Management, Inc., was elected president of New York Chapter, ASIM. Frank Hornby of Ebasco Services Inc., is 1st vice-president; William Burkett of American Machinery & Foundry Company is 2nd vice-president, and both Mr. Southwick and Mr. Schellerup retain their respective positions as treasurer and secretary.

William D. McGuinness of the Port of New York Authority is the outgoing president. During Mr. McGuinness' term many new members were added to New York Chapter's roster.

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ASIM Welcomes Central Massachusetts Chapter



Standing left to right: William Hurd, Simon Saw & Steel Co.; B. E. Kelley, past president of ASIM; T. V. Murphy, past president of Maryland Chapter, ASIM. Seated: Richard Prouty, The Norton Company; Peter A. Burke, Managing Director, ASIM; and Robert K. Griffith, Riley Stoker Corporation.

At a dinner meeting on April 30, 1957 at the Worcester Club, Worcester, Massachusetts, Central Massachusetts Chapter of the American Society of Insurance Management, Inc., was organized.

Richard Prouty, Insurance Manager of the Norton Company was elected President. Robert K. Griffith, treasurer of Riley Stoker Corporation was elected Treasurer. George M. Betterley of Betterley Associates was elected Secretary.

Elected to the Board of Directors: Harold Keyes, Secretary of Brown and Sharpe Mfg. Co. of Providence, R. I.; William Hurd, Treasurer of Simond Saw and Steel Co., Fitchburg; Robert E. Lovett, Assistant Treasurer of the Greenfield Tap and Die Corporation, Greenfield; L. E. Murphy, Assistant Treasurer of Wyman-Gordon Co.; Gerald J. O'Keefe, Assistant Controller of Package Machinery Co., East Long Meadow.

Guest speakers were T. V. Murphy of Baltimore, Md., Insurance Manager for the Maryland Shipbuilding and Drydock Company; Peter A.

Burke, of New York City, Managing Director of the American Society of Insurance Management Inc.; and Burton E. Kelley of New York City, Insurance Manager for the United States Plywood Corporation.

This is the sixteenth chapter of ASIM and is located in one of the largest industrial and cultural centers in the United States.

Maryland Chapter Elects New Officers

The annual election of the Maryland Chapter was held on June 20th.

Elected for the next year are: Charles F. Herting of Greenspring Dairy, Inc. as president; Jesse F. Little of Mercantile Safe Deposit & Trust Company as vice-president; and Dorothy Graff of L. Greif & Brother, Inc. as secretary-treasurer.

T. V. Murphy of Maryland Shipbuilding and Drydock Company is the immediate past president.

E. B. Paris Speaks at Mid-Year Convention of Insurance Service Association of America



E. B. Paris, Insurance Supervisor
Boeing Airplane Company

E. B. Paris, Insurance Supervisor of Boeing Airplane Company, Seattle, Washington, and a member of the American Society of Insurance Management, Inc., was the featured speaker at the recent Insurance Service Association mid-year convention in Colorado Springs.

Mr. Paris, who is responsible for one of the largest corporate insurance programs in the nation, spoke to the membership on "The Insurance Buyer Looks to the Insurance Broker."

A. J. Ostheimer, of Ostheimer-Walsh is president; Patrick Fitzpatrick of Boit, Dalton & Church is vice-president; Herbert Reisner of Ostheimer-Walsh is secretary; and treasurer is Gary Gillis, Jr., of Gillis Hulse & Colcok, Inc.

Cincinnati Chapter ASIM Elects New Officers

S. B. Adamson, U. S. Printing & Lithograph Company, was elected president of Cincinnati Chapter, ASIM, succeeding L. R. Everhard, Trailmobile.

Serving with Mr. Adamson are: A. J. Haberer, Procter & Gamble Company, vice-president; P. K. Dykes, Ohio River Company, treasurer; and W. H. Hiller, Philip Carey Manufacturing Company, assistant treasurer. H. A. Newman of the Andrew Jergens Company is secretary.

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For what it's worth...

The Reason Why Under-Insurance Is So Prevalent

from the CLIENTS' SERVICE BULLETIN
of The American Appraisal Company

Reported data on fire losses indicate that a large proportion of property owners were under-insured. Inadequate coverage of insurable values is often the result of neglect by management or lack of interest in the insurance program. The following are among the chief causes of under-insurance:

1. Failure to recognize the impact of inflation on value of buildings, machinery and equipment.
2. The tendency to base insurable values on property accounting records not designed for this purpose. Seldom are all property additions and improvements capitalized. Accounting records reflect original costs which must be converted to present costs of reproduction.
3. The use of depreciation for accounting purposes to measure depreciation sustained. Book depreciation is designed to recover the costs of the assets over their useful lives in some systematic manner. Amortization and special write-offs further distort the recorded figures. It is not unusual to find useful assets fully depreciated on the books and an over-all depreciation of 50% or more indicated for the entire property.

Insurance companies and adjusters maintain that any specific building or machine which is serving its intended purpose is usually not depreciated beyond 40% or 50%. The over-all depreciation on a well-maintained and efficiently operating plant would be far less than that. For insurance purposes, age times an accounting rate alone is not the measure of depreciation; full consideration must be given to the maintenance and repair policies, accrued obsolescence, and operating condition of property.

When we consider these deficiencies in property accounts as a basis for estimating insurable values, and the inflation in costs during the past 15 years, it is not surprising that a current detailed appraisal generally reveals the need for more insurance.

Continuous American Appraisal Service® gives management a "moving picture" of fixed assets, reflecting physical changes as well as fluctuations in value. It prevents under-insurance by providing current, provable facts. This is one of the services of The American Appraisal Company, leader since 1896 in property valuation for purposes of insurance, accounting, property control, taxes and financing.

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ASIM Becomes Member of the Chamber of Commerce of the United States



Frazier S. Wilson

Frazier S. Wilson, president of the American Society of Insurance Management, Inc., has been named representative of ASIM to the Insurance Committee of the Chamber of Commerce of the United States.

The Board of Directors welcomed Mr. Wilson on the Insurance Committee which studies national problems affecting insurance and helps develop Chamber policies and programs to meet these problems. The Board of Directors of the Chamber and its entire membership depend heavily on the Insurance Committee for advice and leadership.

The Chamber of Commerce of the United States has its headquarters in Washington, D. C. It is a national federation of American business organizations. Philip M. Talbott is president; Edward B. Collett, Vice President of Millers Mutual Fire Insurance Company, is Chairman of the Insurance Committee and is also a member of the Board of Directors of the Chamber. A. L. Kirkpatrick is Manager of the Insurance Department for the Chamber of Commerce.

As Insurance Manager for United Air Lines, Inc., and president of the American Society of Insurance Management, Inc., Mr. Wilson brings to the Insurance Committee of the Chamber of Commerce of the United States a vast knowledge of corporate insurance management and its subsequent problems.

Minnesota Chapter Does Bang-Up Job

Minnesota Chapter, ASIM, held a one-day Insurance Seminar at the Leamington Hotel on May 3rd, 1957. The results far exceeded the expectations: There were 154 registrants. Of this number 57 represented non-member insurance buyers; 51 represented insurance company men, brokers, agents, etc.; and 40 represented members affiliated with the Minnesota Chapter.

Of the total 154 registrants, 25 were from outside the metropolitan Minneapolis-St. Louis area, involving 14 Minnesota cities and towns and two from the state of Wisconsin.

Mr. Cyril Sheehan, Insurance Commissioner from the state of Minnesota and Mr. V. G. Lowe, General Manager, Minnesota Compensation Rating Bureau, were among the guests.

Because of the Seminar, Minnesota Chapter was able to display and demonstrate the advantages and benefits to be derived from membership in the Minnesota Chapter and the American Society of Insurance Management, Inc. to 57 prospective members.

We call this a "Bang-Up" Job. K. N. Cervin of Minneapolis-Moline Company was President of Minnesota Chapter at the time of the Seminar and General Chairman was Ray F. Boettcher of Geo. A. Hormel Company (a Regional Vice President of ASIM). Program Chairman was Howard T. Weber of Minnesota Mining and Manufacturing Company, now President of Minnesota Chapter.

The theme of the Seminar was "When to Buy — How to Buy — What to Buy." Guest speaker at the luncheon was Roy Dunlop of the Columbia, St. Paul Dispatch-Pioneer Press Company.

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Virginia-Carolina Chapter Elects New Officers



Standing: Stewart B. Foulke, Jr., 1st Vice President; Lydia S. Hammond, Secretary-Treasurer; Seated: A. Grant Whitney, President; and Bernard M. Hulcher, immediate past-President.

At a meeting at Charlotte, North Carolina on May 17, 1957 A. Grant Whitney, Belk Stores, was elected president of Virginia - Carolina Chapter, ASIM.

Stewart B. Foulke Jr. of Virginia Electric & Power Company, Richmond, was elected 1st vice-president; B. W. L. Blanton of Larus & Brother Company, Inc., Richmond, was elected 2nd vice-president; and Mrs. Lydia S. Hammond, Miller & Rhoads, Inc., was re-elected secretary-treasurer.

This was the Second Annual Meeting of Virginia-Carolina Chapter and was held in the conference room of the Belk Stores in Charlotte, North Carolina. With Bernard Hulcher of Southern States Cooperative, Richmond, presiding, Directors for the years 1957-1959 were elected as follows: B. W. L. Blanton; Stewart B. Foulke Jr.; and W. W. Young of Overnite Transportation, Richmond.

Dr. Kenneth Black Jr., of Georgia State College of Business Administration, Atlanta, Georgia, and an Honorary Member of the American Society of Insurance Management

Inc. addressed the meeting on the "Insurance Manager's Participation in the Insurance Educational Field".

"Programming Loss Prevention Activities for Industry and Automobile Fleets" was the subject of a talk by Frederick J. Dodson, Assistant Manager of the Loss Prevention Department, Liberty Mutual Insurance Company.

Meetings for the following year will be held as follows:

September 24, 1957 — Richmond, Virginia.

November 12, 1957 — Charlotte or Raleigh, North Carolina.

January 21, 1958 — Norfolk, Virginia.

March 25, 1958 — Roanoke, Virginia.

May 23, 1958 — Myrtle Beach, South Carolina.

(Virginia-Carolina Chapter will be the honored chapter in the September issue of *The National Insurance Buyer* and both of these speeches mentioned above will be reprinted in the magazine, as well as other features about Virginia-Carolina Chapter.)

Central Illinois Chapter Elects New Officers



R. Gehl Tucker

At a recent meeting of Central Illinois Chapter, ASIM, R. Gehl Tucker of A. E. Staley Manufacturing Company was elected president.

Serving with Mr. Tucker are: A. A. Baker of Funk Brothers Seed Company, vice-president; and Robert Lesher of Funk Brothers Seed Company, secretary-treasurer.

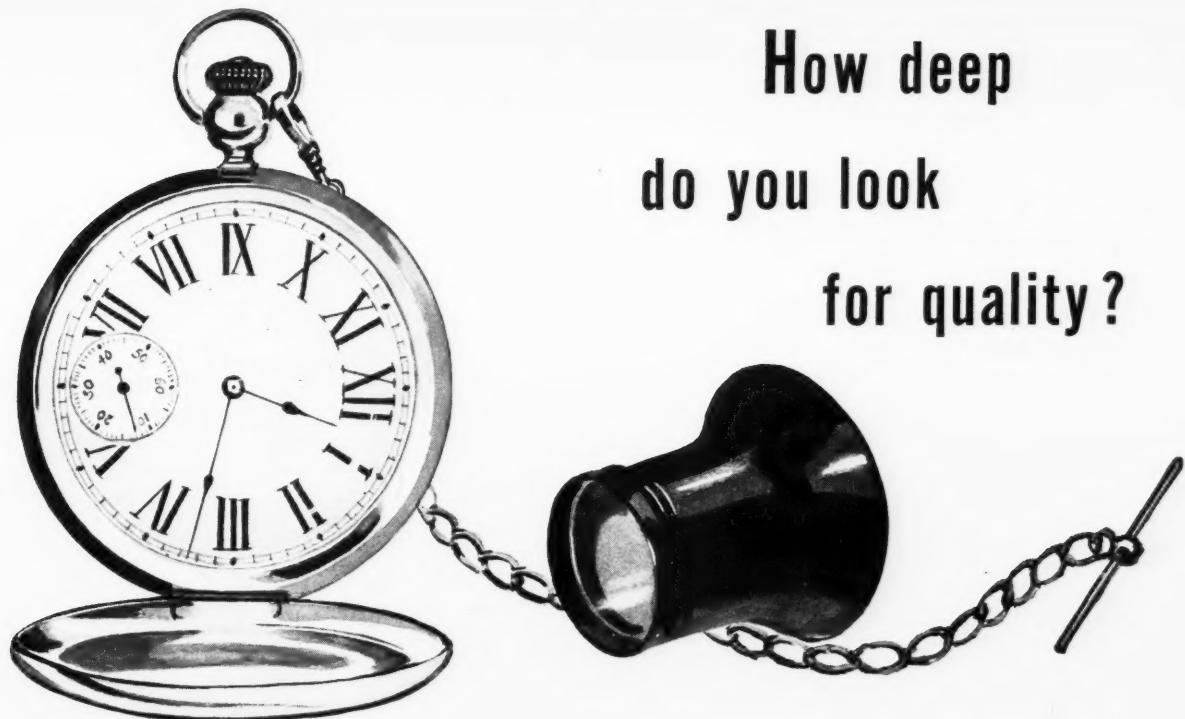
On the Board of Directors: L. Richard Flanders of the Decatur Herald & Review; R. G. Tucker, A. E. Staley Manufacturing Company, C. J. Hutchins, Caterpillar Tractor Company; Herman Eckoff, Keystone Steel & Wire Company; and A. A. Baker of Funk Brothers Seed Company.

Howard Weber Elected Minnesota Chapter President

At a meeting of Minnesota Chapter, ASIM, on May 28th, Howard Weber of Minnesota Mining & Manufacturing Company was elected president.

Serving with Mr. Weber for the ensuing term are: Robert S. Johnson, St. Paul Terminal Warehouse Co., vice-president; William McCabe III, The McCabe Company, secretary-treasurer; and two new directors: Clyde W. Thompson, International Milling Company, and Mr. McCabe.

Mr. K. N. Cervin of Minneapolis-Honeywell Company is the outgoing president.



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Federal Income Tax Problems

(From page 8)

market value of the property before the casualty over such value after the casualty. This rule is very simple, logical and fair, but the right to use it in the case of business casualty losses apparently had never before been passed upon by a court.

The facts in the recent case can be summarized as follows:

The property had an adjusted basis (in round figures) of \$ 500,000 It had a fair market value before the casualty of \$1,500,000 After the casualty it had a fair market value of \$1,300,000 Therefore, there was a casualty loss of \$ 200,000

None of the facts were in dispute—the only question was the method to be used in determining the amount allowable as a casualty loss deduction under the relevant provisions of the Internal Revenue Code.

The Treasury said, in effect "Yes—you had a \$200,000 loss, but under our pro-ration rule, as this was business property (and not a personal residence) we are going to allow you a deduction of only \$60,000." If the damage had been to property held for personal, rather than business use, a deduction of \$200,000 would have been allowable under the Treasury's rule. The taxpayer in this case disputed the disallowance of a portion of the loss actually sustained—perhaps because the principal stockholder of the taxpayer had been allowed a properly computed deduction with respect to casualty damage to his own residential property. The taxpayer's feelings may have been about as follows: "When a hurricane hit my home you allowed me a deduction for the full amount of the loss, but when a storm caused damage to our business property, you propose to allow less than one-third of the actual loss. There is something wrong." The lower court in effect said "Oh, no! We support the Treasury and we will only allow you a deduction of \$60,000." How-

ever, as previously stated, the taxpayer had the fortitude to carry the case up on appeal and the Circuit Court allowed the deduction of the actual \$200,000 loss, as the amount of such loss did not exceed the adjusted basis of the property.

The foregoing is, perhaps, the most revolutionary development in connection with the Federal income tax effect of casualty losses that has occurred in more than a generation.

While pointing out this error in the Treasury bulletin, might mention that it contains at least one or two other errors and at least one statement in regard to procedure from which a completely erroneous impression is likely to be obtained. The Treasury should not be guilty of such errors, as harsh administration of ruinously high taxes constitutes a threat to the welfare of all. I'll not say more, except to repeat what the courts have so often stated — no Treasury regulations or instructions have any force or effect except to the extent that they are within the scope of the statutes enacted by Congress.

How Much Gain or Loss and How Treated

After the amount of a casualty loss has been determined, the next step is to determine the extent to which such loss is to be reduced by recoveries of any kind, including insurance and, if there is any excess of the total recovery over the amount of the loss, the extent, if any, to which such excess is taxable.

If the amount of the casualty loss is more than the amount of the insurance proceeds, it is immaterial what disposition is made of the proceeds, and the net loss is allowable as a deduction, in the manner hereafter discussed. If, however, the proceeds exceed the amount of the casualty loss, that excess will be taxable unless such proceeds are invested, in the manner prescribed in the Internal Revenue Code and Treasury Regulations, in property similar or related in use to the property lost or damaged. Such investment may be in the form of:

- 1) An acquisition of such property, or
- 2) Stock in the acquisition of control of a corporation owning such property.

Such investment of the insurance proceeds must, as a general rule, be made within a period ending one year after the close of the first year in which any gain upon a recovery is realized, unless the time is extended by the Secretary of the Treasury or his delegate. Such extension normally involves setting aside the insurance proceeds in a replacement fund, subject to various conditions prescribed by the Secretary.

Investing the insurance proceeds in this manner has the effect of postponing the taxability of any gain resulting from their receipt. This is so because, in effect, the new property takes the place of the old, for the purpose of computing depreciation and gain or loss upon any subsequent disposition. In other words, in determining the basis of the replacement property, the untaxed gain or the conversion (resulting from receipt of the insurance proceeds) must be deducted from the cost of such new property.

Gain realized in connection with a casualty loss, by reason of the receipt of insurance proceeds, to the extent not invested in replacement property, is taxable. Hence, the next question which arises is whether such gain is taxable as ordinary income or a capital gain. It is taxable as ordinary income unless the property was:

- 1) Used in the trade or business and subject to depreciation, or was a capital asset,* and
- 2) Held over 6 months.

If the foregoing tests are met, such gain must be "lumped" with all other taxable gains and losses realized in that year as a result of:

*There are certain special rules applicable to copyrights, timber and coal, livestock (other than poultry) and unharvested crops which are not dealt with in this discussion.

- 1) Involuntary conversion (including thefts and condemnations as well as casualties) of property used in the trade or business subject to depreciation and

(More on page 21)

Federal Income Tax Problems

(From page 20)

held for more than 6 months and of capital assets held for more than 6 months, and

2) Sales and exchanges of property used in the trade or business, subject to depreciation and held for more than 6 months.

If the net result is a gain, all such gains and losses are to be treated as gains and losses of capital assets held for more than 6 months; if a loss, none of such gains or losses are to be considered as capital gains or losses, and hence the effect is that the net loss is allowable in full as a deduction from ordinary income. This is not quite as advantageous as it may at first seem.

It means that casualty losses which, taken alone, would be deductible in full from ordinary income, are required to be offset against items which, standing alone, would be taxable as capital gains.

The moral is clear: if you have a casualty which results in a net loss, postpone, if possible, to a subsequent year the realization of any gains for the foregoing classes. If you realize a gain as a result of a casualty (because of adequate insurance coverage at appreciated values) you should similarly postpone, to the extent possible, any losses of those classes, and decide whether to postpone the tax on such gain by investing the insurance proceeds in replacement property, or to pay the tax at the capital gain rate and thus avoid losing the benefit of a part of the "basis" for such property for the purpose of computing depreciation thereon.

It is hardly necessary to mention that if the property lost or damaged as a result of a casualty is property of a kind properly includable in inventory or held for sale to customers, the loss or gain is in no event to be treated as a capital gain or loss.

Effects of Delay in Recovery of Insurance Proceeds

To this point we have been con-
(More on page 22)

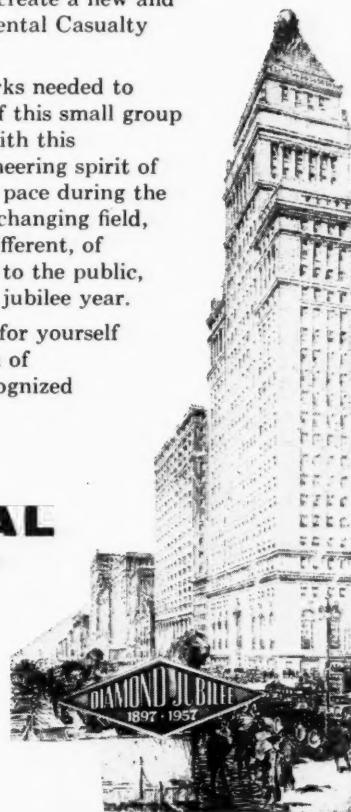


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Federal Income Tax Problems

(From page 21)

sidering the insurance proceeds as tho' received in the same year as the occurrence of the casualty. If there is a dispute as to the amount which will be collected, or an abnormal delay in collecting the proceeds, the question may arise: Is the casualty loss to be taken as a deduction in the taxable year in which it occurs, and the insurance proceeds, if any, reported in the year in which received? If the final result is a gain, the effect of such treatment might be to take the loss as a deduction in one year, and pay tax, at capital gain rates, on the recovery in a later year, instead of reporting the net gain in the year of the loss. This would, in certain circumstances, result in both a tax saving and a tax postponement, without interest expense. It is, of course, prudent in any such case to take steps to preserve the right to a refund in the event that the anticipated recovery is not received. This is so because both the courts and the Treasury have, in some instances, held that the loss in such a case can only be deducted in the year in which the casualty occurred.

On the other hand, there have been cases in which a casualty loss was held deductible only in a later year when the dispute regarding the insurance was settled, and at least one case in which the gain was held taxable only in the year of settlement. Even today, no general rule can be stated with certainty as to the year of deduction of a net casualty loss, or taxation of gain arising from receipt of insurance proceeds, where there is a serious question as to the amount which will be recovered. However, the Treasury instructions are that the anticipated recovery should be reported in the return, and an amended return filed thereafter if the actual recovery is greater or less than the amount reported.*

*Under the principle applicable to all other types of disputed or litigated claims, a recovery is taxable in the year when a settlement is agreed upon or judgement is obtained. Insurance

claims appear to be the only exception to this rule.

Proceeds of "Use and Occupancy" Insurance

So far we have considered only casualty losses of physical property. The next question has to do with the tax consequences of the receipt of proceeds of "use and occupancy" insurance. To the extent that the recovery is solely of potential profits or reimbursement of expenses, it is ordinary income. However, there is a Tax Court decision, not overruled by any higher court, holding that a per diem recovery was, on the basis of the facts before the court, to be considered as being, in effect, proceeds with respect to the physical property destroyed. This may have reflected sympathy for the taxpayer, who had sustained a genuine loss. He had sustained the loss—why deny him the benefit Congress intended to allow in the case of casualty losses and insurance recoveries?

Other Problems

Other related problems include those of proving the facts as to the value of the property before and after the casualty; its cost or other basis; depreciation allowed or allowable; and salvage or residual value. All these are questions of fact, except that determination of adjusted basis sometimes involves questions of law. Still another question which frequently causes difficulty is whether property intended as replacement is "similar or related in service or use" to the property destroyed. Foresight, planning and care in taking the necessary steps can minimize the difficulties with this question. Even so, however, it is difficult to cope with the very unfair position taken by the Treasury in some cases. For example — rent-producing property is destroyed by fire. Adjusted basis (cost less depreciation) \$200,000. Insurance proceeds \$300,000. New building is built at cost of \$300,000. Treasury says: "\$100,000 taxable gain, old building rented to a bakery; new building rented to a delicatessen; hence, new property not 'similar or related in use or service' to the old

one; hence taxpayer denied the benefit of the 'involuntary conversion' (replacement) provisions of the Code." Is that fair? Is that what Congress intended? Is that the way an honest man would interpret a contract? Is that the way for the Internal Revenue Service to encourage fair dealing on the part of taxpayers? Was not the taxpayer's use of the buildings to produce rental income, and not to bake bread or sell pickles? It is a different problem when the property destroyed was used by the taxpayer in his own business—the replacement property must be used for the same purpose.

Proceeds Used to Replace Property

There is one problem which no longer confronts us — the requirement of tracing the specific funds recovered under an insurance policy, with respect to a loss occurring after December 31, 1953, into the purchase of replacement property. Theretofore the Internal Revenue Service denied the benefit of the "involuntary conversion" provisions where the taxpayer could not show that the money used to pay for the replacement was the same money received as insurance proceeds. Congress did not intend so to penalize those suffering casualty losses, and changed the law. Now all that is necessary, in case of a casualty, is to invest in replacement property within the period beginning with the date of the casualty and ending one year after the first taxable year in which gain is realized as a result of the recovery, or a longer period if the required permission is granted by the District Director of Internal Revenue.

Effect of "Self-Insurance" Reserves

One question which always comes up in discussions of this kind is: What is the tax effect of the establishment of "self insurance" reserves? Whether the reserves are funded or not — my answer to that question is always just one word — "None." Many listeners don't like to hear that, but no matter how you embroider this, no one can show that such a reserve has any Federal income

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Federal Income Tax Problems

(From page 22)

tax effect, whether funded or not — you don't get a deduction for setting up the reserve or putting money into the fund, and no deduction is allowable until a loss is sustained.

"Repair and Replace" Recoveries

Another question which frequently arises is whether the tax effect of a "repair and replace" insurance policy is different from that of a regular fire insurance policy. There is no difference at all — the fact that the proceeds under the former may be greater, does not mean anything except just that.

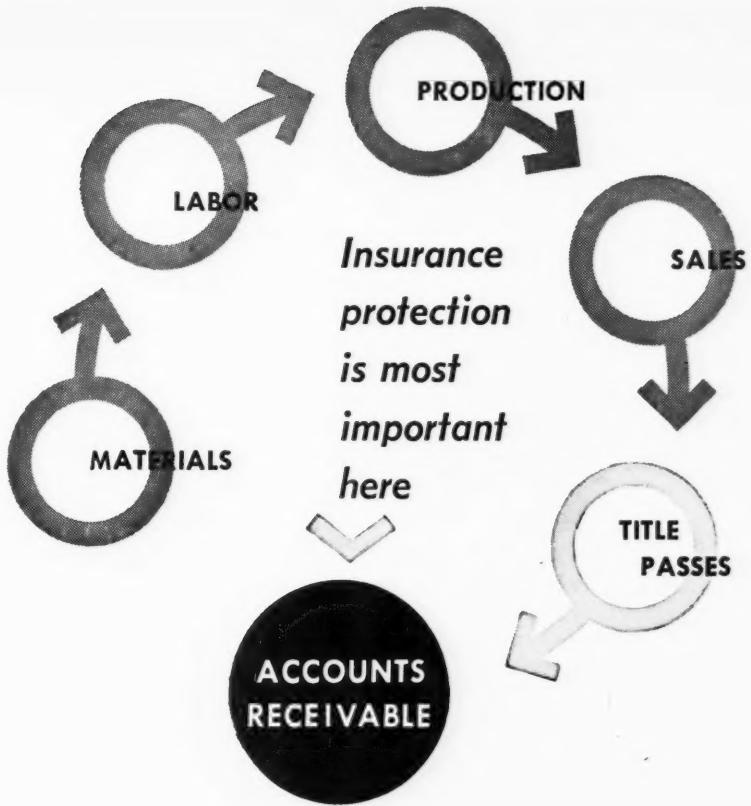
International Problems

There are two casualty loss and recovery situations which are of interest only to those engaged in international business.

One is the determination of the "source" (place) of income or gain derived from a recovery from a United States insurance company for a casualty loss on the high seas. The Treasury's position is that the "source" is within the United States — the loss occurs outside the United States, but the recovery is in this country and taxable here. Only one question—is it fair? No use repeating the other questions.

Another problem, arising out of peculiar conditions existing abroad, is merely mentioned, without discussion.

Corporation A owns and operates a plant in Country A. Corporation B owns all the stock of Corporation A. B takes out, with a United States insurance company, fire insurance on the plant owned by A. B intends, if the plant burns, to collect the proceeds and lend them to A to use to rebuild. What is the United States tax effect? Can B claim that it has had a loss, and that the gain realized by reason of the insurance recovery is not taxable because invested in replacement property? It is said that a happy solution can be attained by means of a contractual arrangement between A and B. I wonder?



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Leases and Insurance

(From page 6)

Landlord's Rights Tort

What are these rights that a landlord might have against his tenant, and to which the landlord's insurance company is subrogated? A tenant, as a matter of law, and without the necessity of agreeing to do so in the lease, must use the premises so they are not injured by his negligence or willful misconduct,⁴ although he is not responsible for ordinary wear and tear resulting from the use for which the premises are rented. He must use the premises in a tenant-like manner. Unreasonable or improper use which results in injury is waste, for which the tenant is liable in tort. He is not liable for an accident without his fault, nor for acts of God.⁵ Thus, unless he assumes a greater obligation in the lease, the tenant is liable for fire damage only if he is negligent.⁶

Negligence

It would be hard to over-emphasize the consideration that should be given negligence in writing a lease, and no one should assume that his client will not be involved in a negligent fire.⁷ "Accidents don't happen, they are caused," to quote the loss prevention slogan of one insurance company; or, as the Supreme Court of Minnesota said: "Fires spring ordinarily from negligence in some form . . . from the failure of someone to exercise necessary precautions to avoid same."⁸

Ordinances

Many ordinances, in building codes and otherwise, set standards, the violation of which is negligence *per se*,⁹ and compliance with which in complete detail is often impossible.

Contractual Standards

Your client is in particular danger if he has assumed standards of care going far beyond those of a reasonably prudent man; if, for example, he has agreed to comply with the rules of the "New York Fire Insurance Exchange," or of the "Underwriters' Laboratories." Neither the landlord nor the tenant can possibly know what all these rules are, and, if they did know, the rules could be changed without notice.

In short, the tenant's attorney should review the lease on the assumption that whatever damage occurs to the premises will be the result of his client's negligence.

It is a rare lease, however, which does not contain some agreement as to repairs, or as to the condition of the premises at the expiration of the lease.

Covenant to Repair

A not uncommon provision is: "The tenant shall maintain the premises in as good repair as they now are, ordinary year and tear excepted." Such a clause may be very dangerous to a tenant, because at com-

mon law, and in many states, though probably not in Texas¹⁰ — it imposes an absolute obligation to repair, even though the damage is caused by an Act of God, the elements, a stranger, an accidental fire, or otherwise.¹¹

Exception as to Fire

Suppose we add to this clause "and damage by fire or other casualty excepted." This certainly improves the tenant's position, but does not go to the basic thesis of this article. Some courts hold that such wording does not relieve the tenant from liability for negligent fire.¹² Further, such words as "other casualty," "inevitable casualty," "unavoidable casualty," "unavoidable accident," "the elements," or "Acts of God" probably will be construed to be occurrences in which the tenant in no way participated, and possibly as occurrences without the intervention of any human agency.¹³ Quaere: Is an "Act of God" a diminishing concept in this age of cloud seeding, storm tracking by radar, flood control, etc?

Validity of Release from Negligence

Can the tenant, by more specific wording, relieve himself from liability for negligence? A bargain for release from the consequences of one's negligence is a valid and enforceable contract, unless it contravenes some public policy, as it might if gross carelessness were involved, or the employer-employee relationship, or a public service.¹⁴ While one still hears occasionally that a contract relieving one from responsibility for his own negligence is void as against public policy, the statement has little vitality in an era when the entire casualty insurance business is bottomed on relieving — for a premium — the insured from the financial burden for his acts of negligence toward third persons.

Exception as to Negligent Fire

Effect on Tort Liability

Suppose, then, we go still further, and provide that the covenant to repair does not apply to "fire, whether arising from the tenant's negligence, or otherwise, and to other casualty, whether arising from tenant's negligence, or otherwise." Such an agreement would be valid and enforceable, and again improve the tenant's position. An argument might be made, however, which would limit the effectiveness of this device. With no covenant to repair, the tenant is liable for negligent fire. If the covenants we are now discussing were removed entirely, the tenant would still be liable for negligent fire. Thus any exception which is written as a limitation to this covenant, could have no greater effect than the removal of the covenant. The exception clearly limits the contractual obligation under the covenant, but may not limit or modify the tort liability.¹⁵ Prudence would seem to require that a separate condition — not tied into or a part of the covenant on repairs — be incorporated to relieve the tenant from tort liability.

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Leases and Insurance

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Effect of Release on Subrogation

Since the landlord's insurance company, in its subrogation right, gets no rights that the landlord himself did not have, it is clear that a release from liability given to the tenant in the lease prevents an action by the insurance company.¹⁶

Effect of Release on Validity of Policy

A closer question arises in the possibility that such a release might void the landlord's insurance policies. There is an authority that if the release of liability is executed before the policy is purchased, the policy is valid, and of course the insurance company is bound by the release.¹⁷ There is sufficient question on the point,¹⁸ however, complicated by the probability that in most cases the insurance policy will antedate the lease being prepared, that prudence requires that the consent of the insurance company should be obtained.

Insurance Practice on Subrogation

The feeling of the insurance industry on the subject of subrogation seems to have undergone a complete change in the last twelve years. Twelve years ago there was a general reluctance to permit assureds to waive subrogation; clauses were limited to sidebar agreements, and ordinances; statements were made that releasing subrogation would be against public policy as relieving a man from the consequences of his negligence. On the other hand, and in spite of this reluctance to release subrogation, twelve years ago, the public was assured that subrogation was a right only rarely exercised, and then never against a tenant who was otherwise a good citizen. The field has reversed itself on both points. Subrogation — where it exists — is now carefully pursued. But now the approved forms in all states permit a rider with wording somewhat as follows:

"It is hereby stipulated that this insurance shall not be invalidated should the Insured waive in writing prior to loss any or all right of recovery against any party for loss occurring to the property described herein, or affected thereby."

Policy Form on Waiver

The language of the Texas Standard policy (1949) lines 144-146 is: "The insured may not, except it be in writing executed prior to loss, waive his right of recovery from any party." In some states the release need not be in writing. In others a release after loss may be given to parties who own, or are owned by, the assured. In others, the release must cover all interest of the assured, and cannot be limited to the amount of his insurance.¹⁹ Recent experience indicates that not all local insurance agents know that these endorsements are available, and that some insistence may be required before they are produced. With such a rider on the landlord's insurance policy, there is no danger that his release of the tenant's liability for negligent fire will void his own insurance policy.

Covenants on Surrender

The covenants relating to the condition of the premises at the expiration of the lease involve similar problems; although a covenant to leave in as good condition as when received — standing alone — has not usually been held to impose liability for accidental destruction. While the majority opinion is that the covenants to repair and the covenants to surrender are to be read and construed together,²⁰ it is the better practice to repeat in each covenant the applicable exceptions and limitations.

Rent on Destroyed Property

Rent Insurance

Leasehold Insurance

Generally, a tenant remains liable for rent even if the buildings are destroyed by fire;²¹ though this has

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INSURANCE SERVICE ASSOCIATION OF AMERICA

The National Insurance Buyer — July 1957

The American Consumer

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are considerably greater than those of the part-time managers of the second group. Also, because his responsibilities are restricted to matters of insurance, he is generally more competent and better qualified in the field of insurance than members of the second group.

The number of companies employing risk managers devoting full time to the insurance functions is growing steadily, reflecting management's growing realization of the importance of this function.

The fourth, and last, group is composed of those larger companies which have an insurance department headed by a risk manager and staffed with specialists in various areas of insurance. All responsibility for the insurance program rests with the risk manager. His position in the organization is usually such that he answers directly to either the Financial Vice President, the President or other executive officer.

This group of companies is the smallest of the four, numerically, both because the concept of a risk manager who functions through an integrated insurance department is relatively new, and because such a department is economically justified only in a large company.

* * *

There are differences within the group, but I would like to describe one department that has been referred to by the American Association of University Teachers of Insurance as "The Integrated Insurance Department."

This department is headed by a risk manager and is staffed with a life actuary, casualty underwriter, casualty actuary, fire engineer, and group insurance analyst. The department head is responsible for all matters pertaining to insurance. The department conducts studies in employee mortality and rates of early retirement, termination, or withdrawal for the purpose of making actuarial evaluations of the company's liabilities under insured or trustee group pension, group life, and other employee benefits

plans; it analyzes casualty loss experience and frequency dispersion; and it conducts a continuing study of premium structures and retrospective rating plans in order to compare the merits of insurance versus assumption of fire and casualty risks.

My familiarity with the operation of this particular department arises from the fact that it is the insurance department of Standard Oil Company (Indiana).

There is a continuing upward shift of companies from one of these groups to the next as their operations, and consequently their insurance problems, extend in scope and grow in complexity. An even more important factor in the development of risk management as a major staff function is the increasing realization by management that risk management has a distinct effect on the company's profit and loss statement.

As a result the corporate consumer is coming to view the products of the insurance industry more and more through the eyes of the risk manager.

While my experience has been gained in a large corporation, I have also enjoyed association with a large number of my counterparts in companies of all sizes through insurance conferences and seminars of the American Management Association. Membership in the American Society of Insurance Management, Inc. has also provided me many opportunities to exchange views with others in risk management.

Through activity in the Casualty Insurances Law Committee of the American Bar Association, I have discussed some of the problems of insurance law faced by insureds. My associate membership in the American Association of University Teachers of Insurance has permitted me to gain some idea of the extent of activity in the area of education for risk management.

I have recited these activities because they have provided the foundation for today's observations.

* * *

Insurance can be viewed in two frames of reference: theoretically
(More on page 28)



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as an institution or, practically, as a business. From the institutional standpoint, I can state without qualification that management thinks insurance is a necessary and constructive factor in our economy, but when its practical application is considered we begin to find some variation in opinions.

What forms the basis of these opinions? What are some of the elements which shape and influence these views?

In many cases, particularly among smaller firms, management's view of the insurance industry is gained almost entirely from contacts with the broker or agent. The insurance industry is no different than other industries in this regard, except that the customer-salesman relationship is even more important to insurance than it is to most other businesses.

Today, everyone who has something to sell recognizes the importance of marketing — advertising, the ultra-modern display, the helpful salesman, the motivation-tested package. Ultimately, however, the customer's opinion of the product is going to depend largely on the product itself—whether or not it runs dependably, tastes good, wears well, or delivers better mileage, as the case may be.

This is where insurance differs, for often the product is never called upon to perform its primary purpose.

* * *

From another viewpoint, the agent's service itself constitutes an important part of the product. A poor reaction is developed on the part of the consumer who finds himself underinsured, or worse, when a loss occurs. Consider also the poor opinion of the insurance industry which results when a business acquaintance or another insurance agent shows the customer how economies could have been effected in his insurance program.

Other personal contacts are important — the claim adjuster, the safety engineer, even the payroll auditor — but it is primarily on its

sales force that the insurance industry must continue to rely in its relations with management.

The trade publications, while primarily designed for use within the industry, are also widely read by risk management. I suggest that the industry and the insurance buyer would be better served if these publications devoted more space to articles explaining and justifying the industry's position and perhaps less space to articles on selling, ownership of renewals or "How I Reached the Magic Million Mark."

For example, management is aware of the insurance industry's stand on compulsory automobile insurance but has only a vague notion of the reasons behind its stand. The insurance industry could utilize trade publications to set forth and defend the principles involved repeatedly, vigorously, and in detail.

* * *

As I previously stated, there is probably no facet of the insurance business on which a universal view is held by all members of the management group; however, there is an opinion shared by an appreciable number of risk managers that the insurance industry is loath to deviate from its time-honored practices and customs. The accusation is frequently made that the industry broadens old coverages and develops new coverages only for the mass market. This opinion is due in part to the fact that innovations with mass market appeal are the ones given most publicity — for example, the family automobile policy, the home owners' policy and major medical insurance.

This constant improvement of policy forms designed for the mass market is ascribed by some to an awareness and recognition of the needs of the buyer, by others to the cold hard facts of competition.

This single policy approach, however, is not the solution to the problems of the corporate buyer of insurance. The informed corporate

risk manager knows the needs of his company, and he also knows that no set of "standard" policy forms can fit these needs thoroughly and economically.

* * *

Considerable attention has been focused on multiple peril policies, umbrella coverage, immediate participation guaranteed contracts, parasol coverage and similar "motivation tested" phrases. As a result of the general use and injudicious interpretation of such comforting phrases some buyers may have been lured into a feeling of false security. Some of us may have forgotten some of the painful lessons we learned in connection with our inland marine policies — that "all risk" really means "all risk—except."

In purchasing certain multiple peril policies we may well be doing our companies a disservice particularly if the premium includes a loading for perils to which we are not exposed or perils which can be included only at a "dollar trading" disadvantage to the buyer.

If the buyers are doing their companies a disservice, it will ultimately prove that the insurance industry has done itself a disservice by encouraging the indiscriminate purchase of these policies.

* * *

The modern risk manager with the assistance of his own casualty actuary, underwriter and fire engineer can isolate and analyze his company's risks, establish insurable values and determine the type and amount of coverage required.

He is also equipped to determine what this coverage should cost and the comparative costs of full coverage insurance, deductible or excess of loss protection, or full assumption of risk by the corporation.

When he has completed his studies he approaches the insurance industry with specific coverage in mind. It is discouraging, to say the least, to be told that what he should buy is the policy form the insur-

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ance industry has in its well-worn pigeonholes, with such slight amendments as may be permitted by the existing manuals of type-written or printed endorsement forms.

Of course, if the first policy is not complete the agent can suggest a second policy to cover the loopholes in the first, as suggested by a recent cartoon in the Wall Street Journal.

In the field of employee group benefit plans management is many times puzzled by the apparently ultra-conservative attitude of the insurance companies with respect to rate structures and the payment of dividends.

Management hears with pleasure and applauds the welcome news of each mortality gain, but is puzzled when the insurance company actuaries apparently seize upon such news as the basis to announce a rate increase.

* * *

Management also wonders at times about the dividend deferral policy of many insurance companies, and gains the impression that the carriers are determined to be more than adequately bulwarked against any conceivable decrease in investment return, mortality improvement and increased administrative expense by the establishment of rapidly mounting reserves and very pessimistic reserve goals.

Just as management finds it difficult to understand and sympathize with some of the rating procedures used by life insurance companies, so too does management find it difficult to understand the rating approach used by many casualty, fire and inland marine underwriters.

Certainly a broad spread of experience is necessary to develop adequate and reasonable rates, and of course Public Law 15 imposes certain responsibilities on the insurance industry. But the law was intended to encourage constructive competition not restrict it. Too often the insurance industry gives the informed buyer the impression

that it is using the "nondiscriminatory" portion of this law and subsequent state legislation to avoid improvements in coverage or rating procedures — improvements which the informed buyer knows are essential to the proper solution of his company's problems.

Instead of attempting to compete within the framework of existing legislation, certain groups of companies, through rating associations, give the appearance of presenting a united front to resist change.

It is my belief that the insurance industry may well discover that Public Law 15, or bureau rules justified on the basis of Public Law 15, will not in our expanding economy always afford this protection. State insurance commissioners are well aware of their powers under Public Law 15, and they are equally well aware of what the results will be if this moratorium on federal control is lifted.

* * *

I have often heard the accusation made that the insurance companies will not furnish a "realistic" premium quotation. This can be the result of several factors, ranging from a failure of the buyer to subject his own exposure to a realistic appraisal, to the occasional instance where a high quotation may be used to turn down a piece of business the underwriter does not want.

The first extreme calls for more and better buyer education. If the buyer's appraisal of his risk is unrealistic do not hesitate to tell him so, and tell him why.

In the other case, if the risk does not properly fit the particular insurance company's underwriting philosophy, or if for some other reason the insurance company does not wish to accept the risk, the insurance company should make a frank declination. Consider what happens when an "unrealistic" quotation is compared with a competitor's "realistic" quotation. The company which furnished the unrealistic quotation will in all probability be foreclosed from future consideration by the insured.

On the other hand I occasionally hear of a case where the insurance coverage has been written on the basis of an unduly optimistic quotation. Such a quotation apparently is based on an unduly optimistic underwriting attitude or in the hope that future rate increases can be used to make up any first year deficit. This rating approach will, in the long run, result in a highly unfavorable opinion of the insurance industry, particularly in view of the tendency on the part of consumers to regard the action of one insurance company as representative of the entire industry.

I sometimes hear complaints that

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Insurance and Bonds

Leases and Insurance

(From page 25)

been modified by statute in some states, rejected by the courts in others, and usually does not apply in the case of the lease of an apartment, room, or part of a building.²² Thus most of the same problems arise in connection with the covenants on rent payment, as in the covenant on repair and surrender. And in the case of rent, the landlord can protect his interest by rent insurance,²³ irrespective of whether the fire results with or without the fault of the tenant. Possibly it should be mentioned that a tenant can insure his profit in a lease (where, for example, no comparable premises can be leased at his present rent) with a form of Leasehold Insurance.²⁴

Statutory Modifications

A word should be said about statutory modifications to these general rules. We have examined the statutes in twenty-five states, and in ten of these some relief has been given the tenant where property is damaged or destroyed by fire. Some provide for rent abatement, some modify covenants to repair or covenants to rebuild. Without exception, however, they are limited to fires occurring without the fault or neglect of the tenant. Thus the tenant and his lawyer can find small comfort in these statutes. They are of no assistance in the type of fire most likely to happen.

General Mills Case

No discussion of this subject would be complete without reference to the case of *General Mills v. Goldman*, 1950, 184 F2d. 395-USCA-8 (cert. denied 340US947) which excited so much interest among insurance companies and insurance buyers. The landlord and the landlord's insurance company sued General Mills for the destruction by fire of a building as to which General Mills was tenant. The jury found the fire was started by the negligence of a General Mills employee. The lease provided for the return of

the premises in good condition, "loss by fire or ordinary wear excepted"; for termination of the lease if the premises were "injured or destroyed by fire or the elements, or through any other cause"; and that the tenant "will not use or permit anything upon said premises that will increase the rate of insurance thereon." The Court held that the word "fire" referred to a fire occurring in the ordinary way from negligence, not in the extraordinary way without negligence; that the latter interpretation would reduce the clause to a triviality; that the parties had understood that the risk of loss by fire was to be borne by a commercial fire insurance company; that pursuant to such understanding a policy was purchased; and that the rent paid by the tenant contemplated the fire insurance premium expense to the landlord. Therefore neither the landlord nor his insurance company was permitted to recover. The District Court had reached a contrary conclusion, and there was a strong dissent in the Circuit Court, on the basis that since the exception as to fire appeared in a covenant to surrender, its effect was to limit only the obligation under that covenant, and did not go to the question of tort liability;²⁵ and that the tenant was not entitled to the benefit of the landlord's insurance because there was nothing in the lease requiring the owner to carry insurance. While the tenant in this case finally prevailed, a slightly different lease would have made the question so clear that no litigation would have resulted, and there is always the danger that some other jurisdiction will follow the District Court or the minority decision.

Texas Contra

Texas tenants — and their attorneys — will find little comfort in the recent case of *Wichita City Lines, Inc. v. Puckett* (288SW 2d 122 — 2/17/56). There the negligent tenant was required to reimburse the landlord's insurance company even though the lease provided "Lessor agrees to carry his own insurance against loss by fire, etc. on the entire building" and in other paragraphs the lessor agreed to restore the

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building (if repairable) if it were damaged by fire.²⁶ However, in three other jurisdictions the law seems to be crystalizing in a manner consistent with the General Mills majority decision, and contrary to that in Texas.²⁷

Other Property of Landlord

Other Property of Landlord—of Tenant

Auto Forms

Consideration should also be given to other property, buildings, or contents, owned by the landlord, if such other property is exposed to possible damage by fire or explosion originating on the premises of your tenant client. Again, without extra premium and without detriment to the landlord, the tenant can be given the protection of the landlord's insurance. Contra-wise, the tenant should relieve the landlord as to property owned and insured by the tenant. Particular care should be given to policy forms if automobiles are involved, since it is still not customary to attach the "waiver of subrogation" clause to automobile policies.

Modification of Existing Leases

What to do if your client already has a lease, the form of which is unsatisfactory or unclear on these points? Many landlords, to whom this problem has been explained, have agreed with the fairness of the tenant's argument as to Fire insurance and subrogation and signed supplemental agreements in which they agree to carry fire and extended coverage insur-

ance, and relieve the tenant for liability for any damage so insured. In the case of oral month-to-month leases, they are generally willing to sign a letter to similar effect. The landlord might be advised to notify his insurance company, since his particular policies may not yet have the "waiver of subrogation" clauses referred to above.

Tenant as Joint Insured

Some writers have suggested that the tenant be added as an insured to the landlord's insurance policies. This might be satisfactory to a tenant, but hardly to the landlord. The tenant, if a named insured, is responsible along with the landlord for all representations, warranties, and conditions in the policy. Thus some action that the tenant might take, or fail to take, under the "increase of hazard" clause, for example, could void the policy if he is a named insured, but would not affect it if he were not. Further, the tenant would be a joint payee on any loss draft; and if the landlord has many tenants, their coming and going would create an administrative burden, and a clutter of endorsements on the policy.²⁸

Solution Without Landlord Co-operation

Assume that in this day of unequal bargaining power between landlords and tenants,²⁹ the problems herein discussed cannot be worked out within the framework of the lease and the landlord's insurance. By what steps can a tenant protect himself?

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Leases and Insurance

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Casualty Insurance

Some large assureds have persuaded reluctant Casualty insurance companies to delete from their liability policies the "care, custody, and control" exclusion.³⁰ This, for a premium, solves the tenant's problem up to the property damage limit in his policy, though the basic approach seems wrong, since it throws a fire hazard on a company whose rates are not based on fire exposures.

Dwelling Insurance

A tenant in a dwelling house can get some comfort, but not much protection, from a Fire Liability endorsement on his Personal Liability policy. Such an endorsement, with a \$10,000.00 limit, costs only \$5.00 a year, but since it excludes all liability assumed by contract, it does not cover all those burdens imposed in the lease itself.³¹

Fire Legal Liability Insurance

Other assureds can buy Fire Legal Liability insurance — but the premium is substantial, and again, the usual forms exclude liability assumed by contract, and thus afford little protection to an assured already burdened with a bad lease.³²

Depreciation

Repair or Replacement Insurance

A covenant to repair, or to rebuild, or to surrender

in good condition, may, after a fire, impose upon the landlord (or the tenant) an obligation not fully covered by an ordinary Fire Insurance policy. Such a policy covers "actual cash value."³³ Such factors as market value, obsolescence, and deteriorated neighborhood, may be taken into consideration in the loss adjustment. Probably most losses are settled on replacement cost less depreciation. A person who covenants to rebuild after a fire is out of pocket not less than the amount of the depreciation. Consideration might be given to "Repair or Replacement" insurance, sometimes called "Depreciation insurance, which takes up this gap.³⁴

Boiler Explosion

The Explosion coverage of the Extended Coverage endorsement does not cover the explosion of a steam boiler on the insured premises. A tenant who has possession and control of a steam boiler should buy Boiler insurance, which not only protects the tenant's property, but other property for which he is liable. If the landlord operates the boiler, he should buy the Boiler insurance.

Plate Glass

It seems to be a quite common provision in mercantile leases for the tenant to agree to carry and pay for plate glass insurance. Presumably the rent reflects this relatively minor cost absorption by the tenant. In practice the plate glass insurance company replaces any glass which was broken by an insured

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insurance companies' claim practices are open to criticism. In some instances, companies are criticized for being too generous in their settlements. Either to "get the open items off the books" or because they fear the results of current jury attitudes, they contribute, however unwillingly, to constantly mounting premium costs.

Other complaints are voiced that insurance companies are alienating the insured's customers by a tight claim policy.

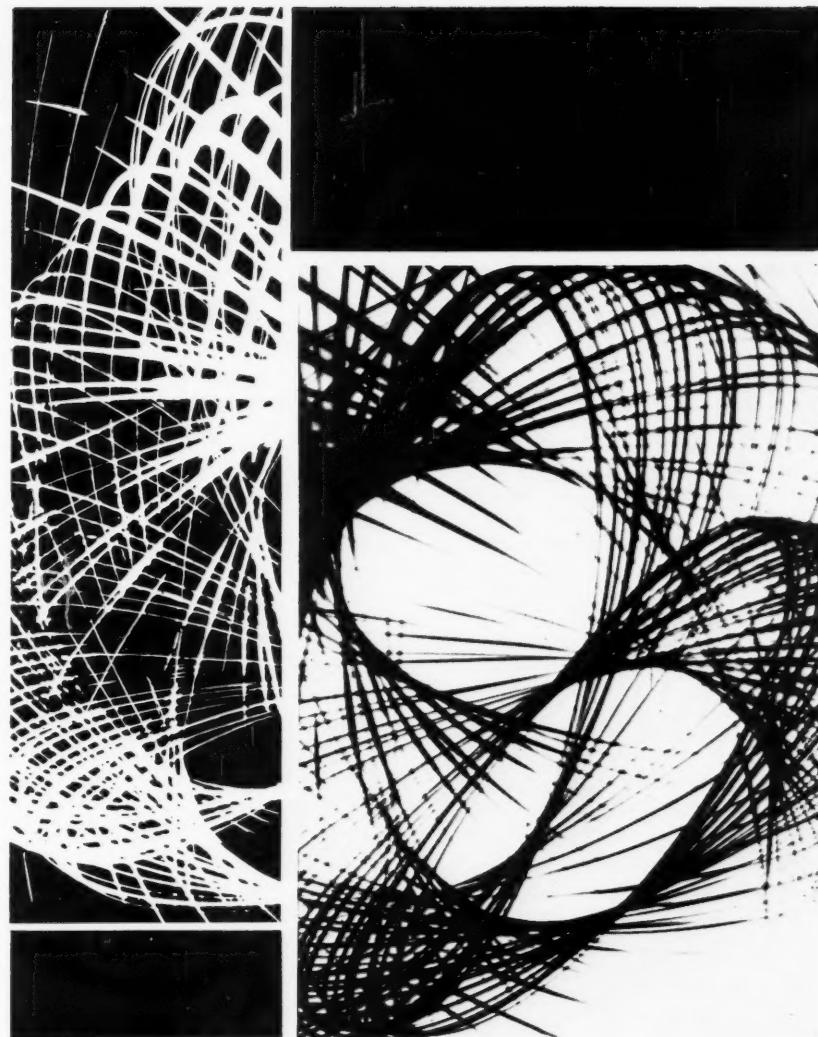
* * *

Every insurance company that I know about sets forth a policy of fair and prompt treatment of claimants. I trust that this policy contemplates a prompt, fair offer to settle if liability exists, or a polite denial if there is no liability. We certainly cannot condone intentional failure to reply to claimants.

If the insured expresses any concern about the public relations aspects of third party claims, the insurance company should send a copy of each denial letter to the insured. If the insured then desires to make a settlement with the claimant for "business reasons" he can do so without paying a loss conversion factor and tax multiplier penalty to the insurance company.

The opinion is sometimes ventured that underwriters do not attempt to consider each risk on its individual merits, but are inclined to assign risks to arbitrary classifications. The acceptance or declination of a particular risk would then depend not on the facts of the individual risk but upon how well it fits an existing class, as well as the underwriter's opinion of that class. While a clerk, the insurance trainee hears that a certain exposure class is hazardous. When the trainee becomes a junior underwriter he may carry on in this belief. By the time he becomes an underwriter the orig-

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Leases and Insurance

(From page 32)

cause, so that the interests of both landlord and tenant are protected.

Uninsurable Hazards

There are some hazards to property for which there is no adequate insurance market. Loss by atomic fission, or by war, or by flood cannot be readily insured. Such losses will ordinarily fall on the landlord, unless the lease changes it. Earthquake insurance is available, though little is sold in the midwest.

Related Problems

A related problem, but going beyond the scope of this paper, is the question of Public Liability insurance — that treated in the Owners, Landlords, and Tenants manuals. Careful consideration should be given to the wisdom of setting out in the lease all of the duties between the landlord, tenant, and third persons, a procedure which may change the breach of the duties from "legal liability" to "liability assumed by contract." Finding a market for insurance against "liability assumed by contract" is often a difficult and expensive procedure, even though the contractual liability is almost identical to, or a restatement of, common law liabilities. Sweeping releases and hold harmless agreements may require special treatment on a Workmen's Compensation policy, where, for example, the tenant's employee is injured by the landlord's negligence, the tenant's Workmen's Compensation carrier takes subrogation against the landlord, but the tenant has agreed to hold the landlord harmless.

Summary

IN SUMMARY:

Any covenant to repair should relieve the tenant for liability for fire and casualty, though caused by his negligence.

Any covenant to surrender should contain a like limitation.

Any covenant on termination, or rent abatements should be operative even though the tenant's negligence is involved.

A separate agreement, not a part of any of these covenants, should be incorporated in the lease, possibly in this language: "Without limiting any other covenant in this lease, the landlord shall carry adequate fire and extended coverage insurance on the premises herein described, and on any other premises owned by him located so close to these premises as to be exposed to possible damage from fire or explosion originating in the leases premises, and on all contents owned by him, on forms which provide that the insurance company will have no right of subrogation against the tenant, his agents, or employees; and the tenant, his agents, and employees shall not be liable for any damage which was insured, or could have been insured, under such a policy." In some circumstances, the amount of insurance should

be specified; and agreements on other types of policies might be included.

Basic Inconsistencies

This slightly irrelevant paragraph is added against the possibility that this article will cross the desk of some insurance executive. It seems to me the Fire Insurance industry should re-examine the whole subject of subrogation. On the one hand they now think so little of the right that they permit the assured to release it prior to loss—as a matter of course, without reporting, without special permission, without extra premium—and whether he is releasing a tenant, an employee, an adjacent landowner, an independent contractor, or what have you. On the other hand, if the right has not been released they pursue it diligently, if not relentlessly. Suppose the negligence of the employee of an independent contractor starts a fire which destroys a 50 million dollar assembly plant. Should the fire insurance company of the owner be able to get a judgment against the independent contractor for the full amount of the loss? A simple sentence in his contract would have saved him. Should its absence condemn him? Should the little tenant in an office in a large hotel face the possible penalty of a judgment for the value of the whole building and its contents, if he negligently starts a fire which destroys it? Again a simple clause in his lease would save him; its absence condemns him. Must the owner of an industrial property insure not only his own but his neighbor's property? Reciprocal agreements between neighbors relieving liability for fire would make it unnecessary. The absence of such agreements might mean that the negligent fire which started in and destroyed his own property and spread to his neighbor, would require him to pay the neighbors' insurance company for the neighbors' burned buildings.

Casualty Practice

Underwriting and Subrogation

The casualty insurance industry extends the benefit of its coverage to many people other than the assured. Thus the \$500,000.00 liability limit a company carries as to bodily injury liability on an automobile protects and insures not only the company, but any other person driving the car with permission, and any other person legally responsible for its operations. Compared to the casualty underwriting problems of thus insuring unknown drivers, with their wide variations of age, skill, sobriety, etc., the fire underwriter's problem on tenants, employees, exposing properties, etc., is static. Actually, fire underwriters do not consider the per-existing release of liability by their assureds of enough significance to be the subject of inquiry either in deciding whether to accept a risk, or in deciding the rate to charge. But if such exposure were significant, it should be built into the basic fire rate, and thereafter, by terms of the policy itself, the insurance company should protect employees, tenants, landlords, adjacent property owners, guests and possibly others.

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The American Consumer

(From page 33)

inal hearsay may have progressed through belief to conviction. This hypothetical career recalls a quotation from Stebbins, "Few of us think. We merely rearrange our prejudices."

There are statements to the effect that the mark-up in the insurance premium is too high. I can anticipate your reply that this argument is too often based on the erroneous assumption that the difference between losses and premiums represents "mark-up." Of course this is incorrect — it is comparable to estimating a manufacturer's mark-up on the basis of the cost of raw materials only, and ignoring labor and overhead costs.

* * *

On the other hand, the insurance press has reported the blossoming out of recent increases in fire insurance commissions despite increasing loss ratios. Corporate risk managers do not want their risks to be acquired by the use of increased acquisition costs, and this refers to "entertainment" as well as commissions.

A final criticism is inherent in the opinion that American insurance companies are not risk organizations but dollar traders. This opinion requires a re-examination of the fundamental definitions of

insurance. One definition assumes the transfer of risk to a professional risk bearer. Another definition assumes the apportionment of risk among a number of individuals subject to the same risk.

To the extent that insurance companies decline to underwrite a risk because it is not a member of a "homogeneous" class, a risk which cannot be apportioned among similarly exposed parties, the industry encourages the opinion that it is merely "trading dollars."

In this area of criticism we are forced to consider the complaint that deductibles and excess of loss contracts are used only for the advantage of the insurance company. It is the belief of many corporate insurance buyers that deductibles are only available where the full coverage rate would be so high that a sizeable portion of the consumer market would be eliminated. It is also presumed that the companies are fearful that a more general use of deductibles would result in lower premium volume, and this in turn would result in agency problems since lower premiums would mean lower commissions.

All of this results in the conclusion that for the most part the American insurance market offers deductibles only for its own convenience, and when the use of a deductible primarily benefits the policyholder, coverage must be sought from a very limited American market or the foreign market.

In this regard corporate risk managers generally feel that the insurance industry presents them with Hobson's choice; they must accept what the insurance industry has on the shelf, or assume their own risks.

* * *

It is conceivable that a risk manager who has been confronted with many or all of these problems, who is familiar with the organization of corporations, and who has a working knowledge of applicable state and federal insurance statutes, would be in a position to interest his company and others in the formation of an insurance company.

This company could make available coverages which at present are either unavailable or available only at an economic disadvantage.

The American insurance industry should not make it necessary for the consumer to take such a step.

The insurance industry should keep in mind that the successful completion of the insurance transaction depends upon three parties — the consumer, the agent or broker as the distributor and the insurance company as the supplier. Until the needs of all three parties are adequately met, there will be either unsatisfactory transactions or no transactions.

Success in the competitive economy is based in large part on the
(More on page 36)

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**Jack T. Campbell Is New
President of Houston Area
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At a meeting of the Houston Area Insurance Buyers Association, ASIM, Jack T. Campbell of Tennessee Gas Transmission Company was elected president.

Those who will serve with Mr. Campbell are: G. L. Foley, Humble Oil & Refining Company, as vice-president; William D. Suhr, Bank of the Southwest as secretary; and Raymond O. Horn, Quintana Petroleum Corporation, as treasurer.

On the Executive Committee (in addition to the new officers) are: William A. Holcomb, Robert C. Lee, John D. Wechsler, Henry T. Fielding, Cecil C. Hinson, Sidney Leverett, R. T. Effinger, Jr., (immediate past-president). The ASIM representative is Ed. C. Stokely, of Dow Chemical Company.

**F. Walter Norcross, Jr.
Promoted at The Budd
Company**

F. Walter Norcross, Jr., has been elected Treasurer of The Budd Company, Edward G. Budd, Jr., President, has announced.

Mr. Norcross has been with our Company since 1943 when he joined us as a Tax Accountant. Three years later he was made Administrative Assistant in the Treasury Department, responsible for departmental operations at all Plants and the administration of our insurance programs.

Mr. Norcross is a graduate of the University of Pennsylvania and has been very active in insurance and accounting organizations. He has contributed several articles to magazines in these two fields.

He is President of the Delaware Valley Chapter of the American Society of Insurance Management, Inc. and a Director of the American Society of Insurance Management, Inc.

The American Consumer
(From page 35)

supplier's ability to satisfy the needs of the consumer. This requires that the supplier be aware of the consumer's needs, and use imagination and initiative in helping the consumer solve his problems.

In order to match the rapid forward stride of modern American industry the insurance industry must free itself of its long-held prejudices against change in established rating and underwriting practices. It must give consideration to the particular needs of the buyer whose premiums support the industry.

I share the belief with many others that a private insurance industry which is truly risk-bearing, imaginative, competitive and profitable is essential to our economy. When the insurance industry properly interprets and satisfactorily meets the requirements of the business community, it discharges its function properly, and both the business community and the insurance industry prosper.

WHAT NEXT?

A new form of emergency highway insurance that works much like the flight-trip insurance sold by airlines is now available to drivers on the New York Thruway. A special one-day policy costing 10 cents is being sold at filling stations, motels and restaurants near the cross-state expressway. If a car breaks down or runs out of gas on the Thruway, the underwriters of the policy, Accimatic, Inc., guarantee payment of emergency service charges up to \$25. The plan is expected to reduce motorists' complaints that charges for minor emergency road service are excessive.

Leases and Insurance

(From page 34)

Public Relations

Actually the tenants, the independent contractors, the guests, the employees, the adjacent owners, are not aware of the subrogation hazard. They assume the property owner carries insurance and no more is required. And if they were aware of the hazard, there is no way they can insure it at a premium they can afford to pay.

Conclusion

The fire insurance companies have gone a long way in permitting their assureds to release their right of subrogation. They should go the rest of the way and release it entirely.

¹1943 N.Y. Standard Policy.

See F.C.&S. Bulletin Fire Csf-1 to Csm-9.

Lines 141-144 — Texas Standard Policy.

²"This subrogation clause is merely a declaration of the equitable principle that an insurer is subrogated to the rights of the insured against persons responsible for the loss." *Insurance Policy Annotations, Section of Insurance Law-ABA-1941*, page 318. See also 46 C.J.S. Insurance Sec. 1209 and 29 AM. Jur. Sec. 1335.

"The general rule is that an insurer, on paying a loss, is subrogated in a corresponding amount to insured's right of action against any other person responsible for the loss — and the insurer's right of subrogation is not limited to cases where the liability of the 3rd person is founded in tort, but any right of the insured to indemnity will pass to the insured upon payment of the loss." Appleman, *Insurance Law and Practice 1942*, Vol. 6, Sec. 4051.

Magnolia Pipe Line v. Security Union Insurance Co. — 37 SW 2d 1062.

Morales v. Moody — 250 SW 2d 225.

Borel's Estate v. Moody — 273 SM 2d 673.

Wilson v. G. A. Stowers — 297 SW 352.

³*Vahlsing v. Hartford Fire Insurance Co.*, 108 SW 2d 947.

⁴32 Am. Jur. Landlord and Tenant, Sec. 779.

51 C.J.S. Landlord and Tenant, Sec. 261.

51 C.J.S. Landlord and Tenant, Sec. 366.

51 C.J.S. Landlord and Tenant, Sec. 408.

Tenant is under the implied duty, "To use the property in a tenantlike manner, and without permitting or committing injury to the property." *Great Atlantic & Pacific*

Tea Company v. Athens Lodge No. 165, 207 SW 2d 217 (C.C.A.).

See also: *Bowen Estate v. Continental Trailways* 256 SW 2d 71.

Texas Company v. Gibson — CCA 1935 — 88 SW 2d 757.

Womack v. Tripp — CCA 1940 — 137 SW 2d 180.

Gulf Oil Corp. v. Horton — CCA 1940 — 143 SW 2d 132.

532 Am. Jur. Landlord and Tenant, Sec. 781.

632 Am. Jur. Landlord and Tenant, Sec. 783.

51 C.J.S. Landlord and Tenant, Sec. 261(b).

Gilbert v. Young — 266 SW 113.

Publix Theatres Corp. v. Powell — 71 SW 2d 237.

7F.C.&S. Bulletins — Multiple Line — Fl-1 to Flp-3.

⁵*Commercial Union Assurance Co. v. Foley Bros.*

141 Minn. 258, 169 NW, 793, 794.

⁶*Wichita City Lines, Inc. v. Puckett*, 288 SW 2d 122 — (2/17/56).

Pig N'Whistle v. Scenic Photo-57 Fed. 2nd 854.

See *The National Underwriter*-Aug. 7, 1947, Pages 17, 27, 28.

Best's Fire and Casualty News, Sept. 1947 "Liability for Origin & Spread of Fire" by George W. Clark.

⁷*Orr v. Vandygriff* — 251 SW 2nd 573 — CCA — 1952.

Covenant to maintain in good repair and condition and surrender in good tenantable repair — where owner to make any structural repairs to the roof or main walls, did not obligate tenant to repair damages caused by an accidental fire which involved the roof and walls.

Howeth v. Anderson — 25 Tex 557.

Covenant to redeliver excepting usual wear and tear and unavoidable accidents, lessee not liable for accidental fire. The intent to be an insurer must be clearly expressed.

Miller Billings & Co. v. Morris — 55 Tex 412.

Agreement to redeliver in as good repair and condition did not require tenant to rebuild after casual fire. Such covenant does not make tenant insurer "If that greater risk is assumed, it must be clearly and explicitly set forth in the contract."

Martinez v. Thompson — 80 Tex 568 — 16 SW 334.

City condemned — Tenant had covenanted to repair — Tenant stuck — dicta: would not have had to repair fire damage because of express exception on fire.

Norman v. Stark (Tex Civ App — 237 SW 963).

Agreement to "Take good care of property and its fixtures and suffer no waste" did not require tenant to rebuild or collapse without negligence.

⁸32 Am. Jur. Landlord and Tenant, Sec. 791.

45 ALR 13

20 ALR 2nd 1331

(More on page 38)



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Leases and Insurance

(From page 37)

51 C.J.S. *Landlord and Tenant*, Sec. 368 (e).

¹²20 *ALR* 2nd 1353.

51 C.J.S. *Landlord and Tenant*, Sec. 414.

It is implicit in Bowen Estate v. Continental Trailways 256 SW 2d 71 — that exception in surrender covenant for "fire or other cause beyond the control of Lessee" did not relieve liability for negligent fire.

but see *Hardware Mutual Insurance Company of Minnesota v. Snyder*, 137 Fed Sup 812 (1956) where exception for "reasonable wear and tear, and accident by fire alone excepted" was held to relieve tenant of liability for negligent fire.

¹³32 *Am. Jur. Landlord and Tenant*, Sec. 795, Sec. 811.

51 C.J.S. *Landlord and Tenant*, Sec. 368 (g).

¹⁴Restatement of Law of Contracts, Sec. 574, 575.

38 *Am. Jur. Negligence*-Sec. 8.

22 *Am. Jur. Fires*-Sec. 58.

12 *Am. Jur. Contracts*-Sec. 183.

48 *ALR* 1003, 51 *ALR* 638.

17 C.J.S. Contracts, Sec. 262.

42 C.J.S. *Indemnity*, Sec. 7.

51 C.J.S. *Landlord and Tenant*, Sec. 226.

General Mills v. Goldman-184F 2nd 359, at 366.

¹⁵See dissenting opinion — *Goldman v. General Mills*, *infra*. *Brewer* — "Liability of Tenant for Negligence" *CCH Insurance Law Journal*, April 1951, #339.

Also see Bowen Estate v. Continental Trailways — 256 SW 2d 71 — which seems to hold the Tort and Contractual liability merge.

¹⁶"An insurer's right of subrogation may be defeated by the insured tenant giving a release to the lessor in his lease, before any loss had occurred." *Appleman "Insurance Law and practice"* 1942, Sec. 4092.

See also 46 C.J.S. *Insurance* Sec. 1209, 1211, 1214.

29 *Am. Jur. Insurance* Sec. 1344.

In Phoenix Insurance Co. v. Erie & W. Transportation Co. 117 U.S. 312; 29. L. ed. 873, 6 *Sup. Ct. Rep.* 750 appears the following:

"The right of action against another person, the equitable interest in which passes to the insurer, being only that which the insured has, it follows that if the assured has no such right of action, none passes to the insurer, and that if the insured's right of action is limited or restricted by lawful contract between him and the person sought to be made responsible for the loss, a suit by the insurer in the right of the assured is subject to like limitations or restrictions."

Proeck v. Farmers Mutual — 65 SW 2d 390 (Release after fire before insurance payment).

¹⁷*Couch — Cyclopedia of Insurance Law*, Vol. 8, sec. 2001. *Goldin-Principles of the New York Standard Fire Insurance Policy*, Page 234.

46 C.J.S. — *Insurance* — Sec. 1211, Sec. 1214.

F.C. & S. Bulletins — *Multiple Line* — Fl 7.

¹⁸*Appleman "Insurance Law and Practice"* Sec. 4093.

Cooley's Briefs on Insurance, Page 2763 (2nd Ed.).

¹⁹*Report to Committee on Fire Insurance Law, Insurance Section, American Bar Association*, April 7, 1953.

²⁰32 *Am. Jur. Landlord and Tenant*, Sec. 789.

51 C.J.S. *Landlord and Tenant*, Sec. 412

²¹32 C.J.S. *Landlord and Tenant*, Sec. 486.

32 *Am. Jur. Landlord and Tenant*, Sec. 493.

²²32 *Am. Jur. Landlord and Tenant*, Sec. 495.

²³*F.C. & S. Bulletins* — *Consequential Re* — 1-ff.

²⁴*F.C. & S. Bulletins* — *Consequential Li-1-ff.*

²⁵*The Texas Case of Bowen Estate v. Continental Trailways, Inc.* — *Sup Ct* 1953 — 256 S W2d 71 touches upon this contract or tort question. The leased building was damaged by a fire caused by the negligence of the tenant's employees. The lessee had agreed to make repairs and keep in condition, natural wear and tear excepted, not to make or suffer waste, and to surrender in good tenantable condition, reasonable use and wear thereof, and damages by fire or other cause beyond the control of Lessee excepted — After suit filed, an agreement was reached canceling lease, and that tenant "has heretofore performed all of the laws and conditions of the lease." The landlord's theory before the *Sup Ct* was that this extinguished the contractual right only — that the tort right for waste remained. The Court did not agree. Since the express covenant simply restated the implied covenant, an admission that one had been performed necessarily admitted the other had — for the two are identical. An additional cause of action for negligent waste was not created by incorporating the implied covenant into the lease.

²⁶*In Publicis Theatres Corporation v. Powell* 71 SW 2d 237 (Comm. of Appeals 1945) a tenant agreed to insure the property for his landlord's benefit. When the property was destroyed by a fire started by tenant's negligence, the landlord collected the insurance. The Court held he couldn't collect a second time from the tenant. It did not decide what might have happened had the Insurance Company brought action against the tenant.

²⁷*U.S. Fire Insurance Co. v. Phil-Mar Corp.* — *Oh. App.* (1956) — 131 NE 2d 444.

Cerny-Pickus Co. v. C. R. Jahn Co. (1956) 7 Ill. 2d 393, 131 NE 2d 100.

Fry v. Jordan Auto Co., 1955 — *Miss. 80 So 2d 53* — (Alter. holding).

²⁸*F.C. & S. Bulletin* — *Multiple Line* Fl-6.

²⁹"Preparation of Leases" — *Milton R. Friedman — Practicing Law Institute* — Page 59.

³⁰*F.C. & S. Bulletin* — *Public Liability* B-10.

Gallagher — "Buying and Administering Corporate Insurance" page 40.

³¹*F.C. & S. Bulletin* — *Flp-1-3 Multiple Line*.

³²*F.C. & S. Bulletin* — *Fl-1-2 Multiple Line*.

³³*F.C. & S. Bulletin* — *Misc. Fire Ac. 1-5*.

³⁴*F.C. & S. Bulletin* — *Misc. Fire Ac. 1-5*.

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 Los Angeles, California

VIRGINIA-CAROLINA CHAPTER

Meetings—4th Thursday each month except December (Check with Secretary for time and place).
President—A. Grant Whitney, Belk Stores, Inc., Charlotte, N. C.
1st Vice Pres.—Stewart B. Foulke, Jr., Virginia Electric & Power Co., Richmond, Va.
2nd Vice Pres.—B. W. L. Blanton, Larus & Brother Company, Inc., Richmond, Va.
Secy.-Treas.—Mrs. Lydia S. Hammond
 Miller & Rhoads, Inc.
 Richmond, Virginia

Roster Of Member Companies

AMERICAN SOCIETY OF INSURANCE MANAGEMENT, INC.

CENTRAL ILLINOIS

Black & Company
Caterpillar Tractor Company
Central Illinois Light Company
Commercial National Bank of Peoria
Decatur Herald & Review
Funk Brothers Seed Company
Honeggers' & Company, Inc.
Illinois Power Company
Illinois Wesleyan University
S. D. Jarvis Company
Keystone Steel & Wire Company
LeTourneau-Westinghouse Company
Mississippi Valley Structural Steel Co.
Mueller Company
Princess Peggy, Inc.
J. L. Simmons Company, Inc.
A. E. Staley Manufacturing Co.
Steak & Shake
Veatch Business Service

CHICAGO

Aldens Inc.
Allis-Chalmers Manufacturing Co.
American Bakeries Company
American Marietta Company
Automatic Electric Company
Bowman Dairy Company
Brunswick-Balke-Collender Co.
Bureau of Safety
Butler Brothers
A. M. Castle & Company
The Celotex Corporation
Central Fibre Products Company
City Products Corporation
Collins Radio Company
Continental Ill. Nat'l Bank & Trust Co.
of Chicago
Container Corporation of America
Crane Company
Cuneo Press, Inc.
Curtiss Candy Co.
Encyclopedia Britannica, Inc.
R. R. Donnelley & Sons Co.
The Reuben H. Donnelley Corp.
Fairbanks, Morse & Company
Fansteel Metallurgical Corporation
Lloyd A. Frey Roofing Company
General American Transportation
Company
Goldblatt Bros., Inc.
Edward Hines Lumber Company
Inland Steel Company
International Minerals & Chemical Corp.
Jewel Tea Co., Inc.
Joslyn Manufacturing & Supply
Corporation
Kawneer Company
Link-Belt Company
Liquid Carbonic Corp.

Magnaflux Corporation
Marshall Field & Company
Material Service Corporation
The Meyercord Co.
Montgomery Ward & Company
Motorola, Inc.
National Standard Company
National Tea Company
Natural Gas Pipeline of America
Northwestern University
Pabst Brewing Company
The Peoples Gas Light & Coke Co.
The Pullman Company
Pullman Standard Car
Manufacturing Co.
Pure Oil Company
Quaker Oats Company
Simoniz Company
A. O. Smith Corporation
Spiegel, Inc.
Standard Oil Co. (Indiana)
Charles A. Stevens & Company
Stewart-Warner Corporation
The Tribune Company
United Air Lines, Inc.
United States Gypsum Company
Victor Chemical Works
Visking Corporation
Walgreen Drug Stores
Warwick Manufacturing Company
The Willett Company
Wisconsin Electric Power Co.
Wisconsin Public Service Corporation

CINCINNATI

Acme-Newport Steel Company
American Laundry Machinery Co.
Armcro Steel Corporation
Bardes Corporation
Bavarian Brewing Co., Inc.
Burger Brewing Company
The Philip Carey Mfg. Co.
The Cincinnati Enquirer
Cincinnati Gas & Electric Co.
Cincinnati & Suburban Bell Telephone
Co.
The Drackett Company
The Duriron Company, Inc.
The Eagle-Picher Company
Emery Industries, Inc.
Thomas Emery's Sons, Inc.
Federated Department Stores, Inc.
The Fifth Third Union Trust Company
The Gardner Board & Carton Co.
The Girdler Company
The Globe Wernicke Company
Robert Gould Company
The Hamilton Foundry & Machine Co.
The Andrew Jergens Company
The E. Kahn's Sons Company

The Kroger Company
The Lunkhenheimer Company
Frank Messer & Sons, Inc.
The Metal Specialty Company
The H. H. Meyer Packing Company
The Mosler Safe Company
The Nivison Weiskopf Company
The Ohio River Company
The Procter & Gamble Company
The Provident Savings Bank & Trust Co.
Queen City Chevrolet Company
The Richardson-Taylor Globe Corp.
Shepard Warner Elevator Company
The Sorg Paper Co.
Toms River-Cincinnati Chemical Corp.
Trailmobile Inc.
United States Shoe Corporation
The U. S. Printing & Lithograph Co.
The George Wiedemann Brewing Co.
The Western and Southern Life
Insurance Co.

DALLAS-FT. WORTH

American Liberty Oil Co.
The British-American Oil Producing
Company
Campbell Taggart Associated Bakeries,
Inc.
Chance Vought Aircraft, Inc.
Coca-Cola Bottling Company
Collins Radio Co. (Texas Division)
Dallas Power & Light Co.
Dresser Industries, Inc.
The Frito Company
General American Oil Co. of Texas
Gifford-Hill & Co., Inc.
Intercontinental Mfg. Company, Inc.
Lone Star Gas Company
Magnolia Petroleum Company
The Murray Company of Texas, Inc.
Olmsted-Kirk Company
Dr. Pepper Company
Southern Union Gas Company
Sun Oil Company
Temeo Aircraft Corporation
Texas Automatic Sprinkler Corp.
The Times Herald Printing Company
Zenith Cleaners

DELAWARE VALLEY

American Viscose Corp.
Armstrong Cork Company
Atlantic City Electric Company
The Atlantic Refining Company
The Budd Company
Best Markets, Inc.
Campbell Soup Company
Catalytic Construction Company
E. I. duPont de Nemours & Co., Inc.
Fidelity Mutual Life Insurance Co.
Food Fair Stores, Inc.

Keasbey & Mattison Company
Kaiser Metal Products, Inc.
Mutual Rendering Company, Inc.
Penn Fruit Company
Penn Mutual Life Insurance Co.
Pennsylvania Salt Mfg. Co.
Philadelphia Electric Company
The Philadelphia Saving Fund Society
Pioneer Chemical Works
Publicker Industries
Radio Corporation of America
R. M. Hollingshead Corporation
Scott Paper Company
S.K.F. Industries, Inc.
Smith, Kline & French Laboratories
Sun Clothes, Inc.
United Engineers & Constructors, Inc.
The United Gas Improvement Company

DETROIT

Allen Industries, Inc.
American Blower Corporation
American Motors Corporation
Argus Cameras, Inc., Division of Sylvania Electric Products, Inc.
Full Dog Electric Products Company
Burroughs Corporation
Chrysler Corporation
Darin & Armstrong, Inc.
Davidson Brothers
Detroit Gasket & Manufacturing Company
Detroit Harvester Company
The Detroit Edison Company
Detroit Steel Corporation
Ex-Cell-O Corporation
Fenestra, Inc.
Ford Motor Company
Freuhauft Trailer Company
Gar Wood Industries, Inc.
The Gear Grinding Machine Company
General Motors Corporation
Goddard & Goddard Company
The J. L. Hudson Company
Hygrade Food Products Corporation
The Jam Handy Organization, Inc.
Kelsey-Hayes Wheel Company
S. S. Kresge Company
Lyon Incorporated
McCord Corporation
Michigan Bell Telephone Co.
Michigan Consolidated Gas Company
Michigan Wisconsin Pipe Line Co.
Micromatic Hone Corporation
The Murray Corporation of America
National Bank of Detroit
Parke Davis & Company
Pfeiffer Brewing Company
Square D
The Udylite Corporation
The Upjohn Company
The Valeron Corporation
Verners Ginger Ale, Inc.
Woodall Industries, Inc.
Wyandotte Chemicals Corporation
L. A. Young Spring & Wire Corporation

HOUSTON

Ada Oil Company
American Warehouses, Inc.
Anderson Clayton & Company
Bank of the Southwest
Baroid Sales Division of National Lead Co.

Cameron Iron Works, Inc.
Commonwealth Oil Company
Continental Oil Company
Converted Rice, Inc.
The Dow Chemical Co.
Drilling & Exploration Co. Inc.
Eastern States Petroleum Co. Inc.
Halliburton Oil Well Cementing Co.
Homeco
Jefferson Lake Sulphur Company
Lane Wells Company
McCarthy Oil & Gas Corporation
Perforating Guns Atlas Corp.
Petro-Tex Chemical Corporation
Quintana Petroleum Corporation
Reed Roller Bit Company
Schlumberger Well Surveying Corp.
Sheffield Steel Division of Armco Steel Corporation
Stewart & Stevenson Services, Inc.
Tennessee Gas Transmission Co.
Transcontinental Gas Pipe Line Corp.
Trunkline Gas Company
Tuboscope Company
J. Weingarten, Inc.
Win Hawkins Drilling Company

MARYLAND

Army & Air Force Exchange Service
The Arundel Corporation
Baltimore Contractors, Inc.
Cafritz Construction Co.
City Baking Company
W. T. Cowan, Inc.
Crown Central Petroleum Corp.
Crown Cork & Seal Company
The Davison Chemical Corporation
The E. H. Koester Baking Co.
Greenspring Dairy, Inc.
L. Greif & Brother, Inc.
Gunther Brewing Co., Inc.
The Hecht Company
Hutzler Brothers Co.
Insurance Buyers' Council
Harry T. Campbell Sons Corp.
Emerson Drug Company
The Martin Company
Maryland Shipbuilding & Drydock Co.
McCormick & Co., Inc.
Mercantile Safe Deposit & Trust Co.
Merchants Terminal Corp.
The National Brewing Co.
Office of Naval Material
Department of the Navy
Olin Mathieson Chemical Corp.
Schmidt Baking Co., Inc.

MINNESOTA

Anderson Corporation
Cargill, Incorporated
Coca-Cola Bottling Co. of Minnesota
The Creamette Co.
Curtis 1000, Inc.
Economics Laboratory, Inc.
Faribault Woolen Mill Company
Federal Cartridge Corporation
First National Bank of Minneapolis
First National Bank of St. Paul
Fitger Brewing Company
Fullerton Lumber Company
Gamble-Skogmo, Inc.
M. A. Gedney Company
General Mills, Inc.
Green Giant Company

Theo. Hamm Brewing Company
Geo. A. Hormel & Co.
Industrial Aggregate Co.
International Milling Company
Landers-Norblom-Christenson Co.
Land O'Lakes Creameries, Inc.
Maple Island, Inc.
Mayo Clinic
McCabe Company
Maney Bros. Mill & Elevator Co.
Minneapolis Brewing Company
Minneapolis-Honeywell Regulator Co.
Minneapolis-Moline Company
Minneapolis Star & Tribune Company
Minnesota Mining & Manufacturing Co.
Minnesota & Ontario Paper Co.
Munsingwear, Inc.
Nash-Finch Company
The B. F. Nelson Mfg. Co.
Northern Ordnance Inc.
Northern States Power Company
Northrup-King & Company
Northwest Airlines, Inc.
W. S. Nott Company
Owatonna Canning Company
Owatonna Tool Co.
M. F. Patterson Dental Supply Co. of Minnesota
F. H. Peavey & Company
Pillsbury Mills, Inc.
Queen Stove Works, Inc.
Rayette, Inc.
Red Owl Stores, Inc.
Rochester Dairy Cooperative
St. Paul Terminal Warehouse Co.
Scott-Atwater Mfg. Company
J. L. Shiely Company
Super Valu Stores, Inc.
Toro Manufacturing Company
Waldorf Paper Products Company
Western Oil and Fuel Company
Winston Bros. Company
Wood Conversion Company

MONTRAL

Aluminum Company of Canada, Ltd.
Associated Textiles of Canada Limited
Atlas Asbestos Company Limited
The Bell Telephone Co. of Canada
The Bristol Aeroplane Co. of Canada (1956) Limited
Canadian Celanese Ltd.
Canadian Industries Limited
Canadian International Paper Corporation Ltd.
Canadian Marconi Company
Canadian Pratt & Whitney Aircraft Company, Ltd.
Consolidated Paper Corporation Limited
Dominion Bridge Company Limited
Dominion Engineering Works Limited
Dominion Glass Company Limited
Dominion Textile Company Limited
Du Pont Co. of Canada (1956) Ltd.
The Foundation Co. of Canada Limited
Imperial Tobacco Co. of Canada Limited
Northern Electric Company, Limited
Rolls-Royce of Canada, Limited
The Shawinigan Water and Power Company
Steinberg's Limited

NEW YORK

ACF Industries, Inc.
Allied Stores Corporation

American Airlines
American Brake Shoe Company
American Broadcasting-Paramount Theatres, Inc.
American Bank Note Co.
American Can Company
American Chicle Company
American Cyanamid Company
American District Telegraph Co., Inc.
American Gas & Electric Service Co.
American Hard Rubber Company
American Home Products Corp.
American Machine & Foundry Co.
American Management Association
American Metal Company, Ltd.
American News Co., Inc.
The American Oil Company
Anaconda Company
Anaconda Wire & Cable Company
Arabian American Oil Company
Associated Dry Goods Corp.
The Babcock & Wilcox Company
Belk Stores
Bell Telephone Laboratories
The Best Foods, Inc.
Bigelow-Sanford Carpet Co., Inc.
Blades & Macaulay
Sidney Blumenthal & Co., Inc.
The Borden Company
Bristol Myers Company
Burlington Industries, Inc.
California Oil Company
Canada Dry Ginger Ale Co.
John J. Casale, Inc.
Celanese Corporation of America
The Chase Manhattan Bank
Cities Service Petroleum, Inc.
Chilean Nitrate Sales Corporation
Climax Molybdenum Company
Coastal Oil Company
Coats & Clark's Sales Corporation
Colgate-Palmolive-Peet Company
Columbian Carbon Company
Combustion Engineering, Inc.
Commercial Solvents Corporation
Commonwealth Services, Inc.
Congoleum-Nairn, Inc.
Consolidated Cigar Corp.
Continental Baking Company
Continental Can Company, Inc.
Continental Grain Company
Corporate Advisors, Inc.
Curtiss-Wright Corporation
Daystrom, Inc.
Diesel Vessel Operators, Inc.
The Dime Savings Bank of Brooklyn
Dow, Jones & Co., Inc.
Ebasco Services Incorporated
Thomas A. Edison, Inc.
El Paso Natural Gas Company
Electrolux Corporation
Esso Standard Oil Company
Ethyl Corporation
Federal Paper Board Co., Inc.
The First National City Bank of New York
The Firth Carpet Company
The Flintkote Company, Inc.
Foster-Wheeler Corp
Robert Gair Co., Inc.—Division of Continental Can Company, Inc.
Geigy Chemical Corporation
General Aniline & Film Corporation
General Baking Company
General Electric Company
General Foods Corp.
Gibbs & Hill, Inc.
W. R. Grace & Company

Great Lakes Carbon Corporation
Guaranty Trust Company
S. Gumpert Co., Inc.
M. & M's Candies, A Division of Food Manufacturers, Inc.
Hess, Inc.
Hewitt-Robins, Inc.
Hudson Pulp & Paper Corp.
Imperial Paper & Color Corp.
International Business Machines Corp.
Interchemical Corp.
Johns-Manville Corp.
Johnson & Johnson
A. & M. Karagheusian, Inc.
Kearfott Company, Inc.
Kennebott Copper Corporation
Knickerbocker Construction Co.
H. Kohnstamm & Co., Inc.
Lerner Stores Corp.
Lever Brothers Co.
Liggett & Myers Tobacco Co.
Lily-Tulip Cup Corp.
Thomas J. Lipton, Inc.
R. H. Macy & Co., Inc.
McKesson & Robbins, Incorporated
Manufacturers Trust Co.
Merritt-Chapman & Scott Corp.
Metal & Thermit Corp.
Philip Morris Incorporated
Muzak Corporation
National Biscuit Company
National Broadcasting Company, Inc.
National Distillers and Chemical Corp.
National Starch Products, Inc.
The Nestle Company
J. J. Newberry Company
New York Herald-Tribune
Olin Mathieson Chemical Corporation
Otis Elevator Company
Owens-Illinois Glass Company
Pan American World Airways, Inc.
Panaminas Incorporated
S. B. Penick & Co.
Chas. Pfizer & Co., Inc.
Pitney-Bowes, Inc.
The Port of New York Authority
Refined Syrups & Sugars, Inc.
Reliance Manufacturing Company
Republic Aviation Corporation
Research Cottrell, Inc.
Riegel Paper Corp.
Seagram-Distillers Corp.
Shein's Express
Shell Oil Company
Sperry Rand Corporation
Sperry Gyroscope Co.
Standard Oil Company (New Jersey)
J. P. Stevens & Co., Inc.
Sunshine Biscuits, Inc.
Sylvania Electric Products, Inc.
The Texas Company
Tide Water Associated Oil Co.
Union Bag-Camp Paper Corporation
Union Carbide & Carbon Corp.
United Aircraft Corp.
United Cigar-Whelan Stores Corp.
United Hospital Fund of New York
United Merchants & Manufacturers, Inc.
United Parcel Service
U. S. Industries, Inc.
United States Plywood Corporation
Universal Pictures Co., Inc.
Vick Chemical Company
West Disinfecting Company
Western Electric Company
West Virginia Pulp & Paper Company
Witco Chemical Company
Worthington Corporation

NORTHERN CALIFORNIA
American Trust Company
Guy F. Atkinson Company
Avoset Company
Bank of America NT & SA
Bank of California, N.A.
Bechtel Corporation
California & Hawaiian Sugar Refining Corp. Ltd.
California Packing Corporation
California Self-Insurers Association
California State Dental Association
Coast Service Company
The Crocker-Anglo National Bank
Crown Zellerbach Corp.
Cutter Laboratories
Department of Finance — State of California
The Robert Dollar Company
The Emporium Capwell Company
Fibreboard Products, Inc.
The First Western Bank & Trust Company
Foremost Dairies, Inc.
Honolulu Oil Corporation
Kaiser Companies
Kern County Land Co.
Lando Products, Inc.
Lenkurt Electric Company, Inc.
Leslie Salt Company
Long Stores
Matson Navigation Company
Mund, McLaurin & Company
Pacific Gas & Electric Company
Pacific Guano Co.
The Pacific Telephone & Telegraph Company
Pacific Transport Lines, Inc.
Port of Oakland
Rheem Manufacturing Company
Roos Bros., Inc.
Rosenberg Bros. & Co., Inc.
Rudiger-Lang Company
Safeway Stores, Inc.
Sonora Products Company
Southern Pacific Company
Spreckels Sugar Company
Standard Oil Company of California
Swinerton & Walberg Company
Tidewater Associated Oil Company
Transocean Air Lines
The Union Ice Company
Union Lumber Company
United Air Lines, Inc.
University of California
Utah Construction Company
Wells Fargo Bank
The Western Pacific Railroad Company
Wilbur-Ellis Company

OREGON
The Bank of California, N.A.
Blitz Weinhard Company
Columbia River Packers Association, Inc.
Consolidated Freightways, Inc.
Dant & Russell, Inc.
The First National Bank of Portland
Harbor Plywood Corporation
HYster Company
Industrial Air Products Co.
Jantzen, Inc.
Lipman Wolfe & Company
Mail-Well Envelope Co.
Fred Meyer, Inc.
Oregon Pulp & Paper Company
Portland Gas & Coke Company
The United States National Bank
West Coast Lumbermen's Association
White Stag Manufacturing Co.
Willamette Iron & Steel Company
Zidell Machinery & Supply Co.

SOUTHERN CALIFORNIA

American Potash & Chemical Corp.
Baker Oil Tools, Inc.
Belridge Oil Company
Byron Jackson, Division of Borg-Warner Corporation
California Bank
Carnation Company
Consolidated Rock Products Co.
Consolidated Western Steel Division of U. S. Steel Corporation
The Copley Press, Inc.
Douglas Aircraft Company, Inc.
Farmers & Merchants National Bank
The Flintkote Company (Pioneer Division)
The Fluor Corporation, Ltd.
Forest Lawn Company
The Garrett Corporation
Garett & Company, Inc.
Convair — A Division of General Dynamics Corporation
Gladding, McBean & Company
Graham Brothers, Inc.
Griffith Company
Hammond Lumber Company
The Alfred Hart Distilleries, Inc.
Hughes Aircraft Company
Kaiser Steel Corporation
Lockheed Aircraft Corp.
North American Aviation, Inc.
Northrop Aircraft, Inc.
The McCulloch Motors Corp.
Marquardt Aircraft Co.
The May Department Stores Co.
Metropolitan Water District of Southern California
Pacific Airmotive Corporation
United States Borax & Chemical Corp.
The Ramo-Woolridge Corporation
Richfield Oil Corporation
San Gabriel Valley Water Co.
Santa Fe Drilling Company
Security-First National Bank of Los Angeles
Southern California Edison Company
Southern California Gas Co.
Superior Oil Company
Title Insurance and Trust Company
Turco Corporation
Union Oil Company of California
Von's Grocery Company

VIRGINIA-CAROLINA

American Enka Corporation
Farmers Cooperative Exchanges, Inc.
Larus & Brother Company, Inc.
David M. Lea & Co., Inc.
Miller & Rhoads, Inc.
National Fruit Product Company, Inc.
Noland Company, Inc.
Overnite Transportation Company
RF & P Railroad Company
Reynolds Metals Company
Smith-Douglass Company
Southern States Cooperative
Union Bag-Camp Paper Company
Virginia Electric & Power Company

NON-CHAPTER MEMBERS**Alabama**

The Ingalls Iron Works Company, Inc.
Stockham Valves & Fittings, Inc.

Arizona

Hughes Aircraft Company

Arkansas

The Crossett Company

Colorado

Colorado Fuel & Iron Corp.

Connecticut

Connecticut Light & Power Co.
The Kaman Aircraft Corporation
The United States Time Corporation
Whitney Chain Company

Delaware

Diamond Ice & Coal Company

Florida

Florida Power & Light Company
Ryder System, Inc.

Georgia

Minnett Dairies, Inc.
The Coca Cola Company
West Point Manufacturing Company

Illinois

Moorman Manufacturing Company
Sundstrand Machine Tool Company

Indiana

Insurance Audit & Inspection Co.
Magnavox Company

Iowa

The Rath Packing Company

Kansas

The Carey Salt Company

Kentucky

The Mengel Company

Louisiana

The California Company
United Gas Corporation

Maine

Central Maine Power Company

Massachusetts

Godfrey L. Cabot, Inc.
Simonds Saw & Steel Co.
American Optical Company
Massachusetts Mutual Life Insurance Co.
Howard D. Johnson Company
Betterley Associates
Norton Company

Michigan

Hiram Walker & Sons, Inc.
Gerber's Baby Foods
The Dow Chemical Company

Missouri

Gaylord Container Corporation
Division of Crown Zellerbach Corp.
Panhandle Eastern Pipe Line Co.
Laclede Steel Company
Monsanto Chemical Company
Standard Milling Company
The Seven-Up Company
Union Electric Company of Missouri

New York

Columbus McKinnon Chain Corp.
Cooperative Grange League Federation Exchange, Inc.
Corning Glass Works
Harold J. O'Neil
Mohasco Industries, Inc.
New York State Electric & Gas Corp.
Rochester Gas & Electric Corp.
Twin Coach Company
Will & Baumer Candle Company

Ohio

Diamond Alkali Company
E. I. Evans & Company
Firestone Tire & Rubber Company
Hupp Corporation
The American Crayon Company
The General Tire & Rubber Company
The Hoover Company
The Parker Appliance Company
The Youngstown Sheet & Tube Company

Oklahoma

Oklahoma Gas & Electric Company

Pennsylvania

Aluminum Company of America
Aircraft-Marine Products, Inc.
Blaw-Knox Company
G. C. Murphy Company
Dravo Corporation
Eastern Gas & Fuel Associates
Fort Pitt Bridge Works
Mathiasen's Tanker Industries, Inc.
National Supply Company
National-U.S. Radiator Corp.
Neville Chemical Company
Pennsylvania Transformer Division — McGraw-Edison Company
Pittsburgh Coke & Chemical Company
Pittsburgh Consolidation Coal Company
Pittsburgh & West Virginia Railway Co.
Titan Metal Manufacturing Co.
Westinghouse Electric Corporation
West Penn Power Company

Rhode Island

Gorham Manufacturing Company
Grinnell Corporation
Hammel-Dahl Company
Wanskuck Company

Tennessee

Hardwick Stove Company

Texas

The Western Company

Vermont

Central Vermont Public Service Corp.
The National Life Insurance Company

Washington

Boeing Airplane Company
Pacific American Fisheries, Inc.
Weyerhaeuser Timber Company

West Virginia

Pennsylvania Glass Sand Corp.

Wisconsin

A. Geo. Schulz Company
Chain Belt Company
Fred Rueping Leather Company
Harnischfeger Corporation
The Kurth Malting Co.
Nordberg Manufacturing Co.

ALASKA

Chugach Electric Association, Inc.

CANADA

British Columbia Electric Co. Ltd.
Legrade Inc.

Personnel Available

Personnel and Positions Available is a service for members of the American Society of Insurance Management, Inc. Applicants **MUST** submit **FIVE** copies of their resumes to the office of ASIM at 49 West 32nd St., New York 1, N. Y.

All positions and personnel available are *not* listed below. There are many others on file. If you desire further information, please write to the office at the above address.

Insurance Manager, Age 31, married, with two children. Law degree. Eight years experience as Corporation Assistant Insurance Manager, Claims Manager and Agency Manager. Desire position as Insurance Manager or Assistant. Presently employed as Assistant Insurance Manager. (Address — ASIM - 31)

* * *

Insurance Manager or Assistant Insurance Manager. Currently assistant to Insurance Manager of large oil company. Graduate of Columbia University, Degree in Economics. Age 30. Married, Responsibilities include administering domestic and foreign policies of company and all phases of corporate insurance management. (Address — ASIM - 35)

* * *

Fire Insurance Underwriting Manager. Age 42. Single. B.A. degree, plus portion of M.A. Nineteen years in Home Office fire experience. Desires position in corporate insurance management. Will travel, possible relocate. (Address — ASIM - 43)

Young College Graduate. B.S. (Major in Insurance and Business Administration). Possess sound training and demonstrated ability. Objective is to join insurance division of a manufacturing organization where knowledge and competence will find growth and administrative opportunities. (Address — ASIM - 44)

* * *

Insurance Manager. Age 39, married, two children. Graduate University of Illinois. Knowledge of all phases of corporate insurance management. Experience includes management for five industrial plants in U.S. and two in Canada. Will relocate, preferring Chicago, New York or San Francisco. (Address — ASIM - 45)

* * *

Insurance Manager, or Assistant. Married, two children. Age 36, graduate of St. John's University. Attended St. John's Law School. Knowledge of all phases of corporate insurance management including renewal of contracts, application of deductibles and obtaining of modifications and extension of the basic contract in order to secure the broadest coverage at minimum premium outlay. (Address — ASIM - 46)

Recent New Members of ASIM

Chicago Chapter

Encyclopedia Britannica, Inc.

Dallas-Fort Worth Area Chapter

Zenith Cleaners

Delaware Valley Chapter

R. M. Hollingshead Corporation

Insurance Buyers Association of Detroit

General Motors Corporation
Michigan Bell Telephone Company
The Valeron Corporation

Houston Area Insurance Buyers Association

Petro-Tex Chemical Corporation
Commonwealth Oil Company

Minnesota Chapter

Western Oil and Fuel Company

Insurance Buyers Association of Montreal

Associated Textiles of Canada Limited
The Bristol Aeroplane Company of Canada (1956) Limited

New York Chapter

Diesel Vessel Operators, Inc.

Northern California Chapter

Port of Oakland

Oregon Chapter

Zidell Machinery & Supply Co.

Virginia-Carolina Chapter

National Fruit Product Company, Inc.

Non-Chapters (by states)

GEORGIA — Minnett Dairies, Inc.

NEW YORK — Cooperative Grange League Federation Exchange, Inc.

PENNSYLVANIA — Fort Pitt Bridge Works

RHODE ISLAND — Hamel-Dahl Company

VERMONT — The National Life Insurance Company

Announcing

Risk Management Institute

Tuesday, October 1;

Wednesday, October 2;

Thursday, October 3, 1957

co-sponsored by

American Society of Insurance
Management, Inc.

and

The University of Connecticut
at

The University of Connecticut
Storrs, Conn.

*Outstanding Program —
To Be Announced Later*



The case

of the African

BULB-SNATCHER!

At a mahogany yard on the Gold Coast, several hundred primitive people stood spellbound. They were gazing at electric lights for the first time in their lives.

Suddenly, a burst of flame! And before the night was over, \$75,000 worth of high grade mahogany went up in smoke.

An inquisitive African had tried to wrench a light bulb from its socket — and a short circuit did the rest!

That costly black-out might have meant curtains for the American owner, except for one thing — AIU insurance.

An AIU representative was rendering on-the-spot service almost before the ashes were cool! And the quick claims payment was typical of AIU.

AIU policies are written in broad forms of coverage, yet conform to the insurance laws and customs of the country involved. Payments are made in the same currency as premiums, including U. S. dollars wherever local law allows.

The financial security of AIU is backed by the stability of leading insurance companies in the United States.

A phone call from your regular agent or broker will place AIU's nearly 40 years of specialized experience at your service. Offices are listed below.

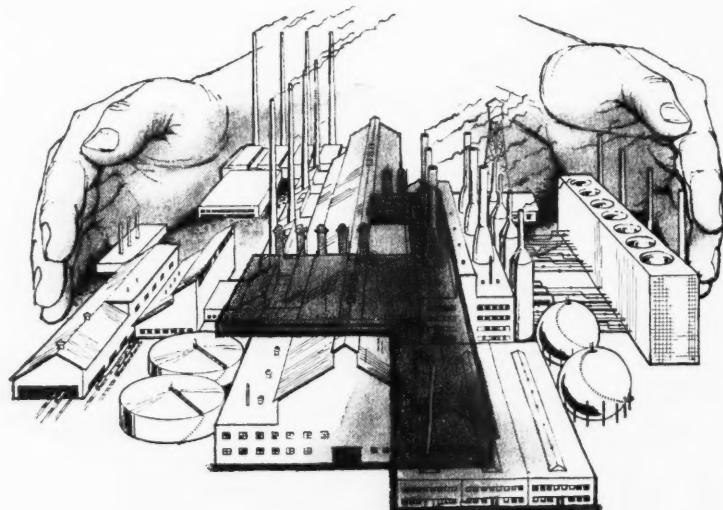


AMERICAN INTERNATIONAL UNDERWRITERS COMPANIES

INSURANCE AND REINSURANCE WORLD-WIDE

OFFICES IN: Antwerp • Aschaffenburg • Augsburg • Bangkok • Bad Godesberg
Baumholder • Beirut • Berlin • Bermuda • Bogota • Bonn • Boston • Bremerhaven
Brussels • Buenos Aires • Caracas • Casablanca • Cebu • Chicago • Chittagong
Colombo • Dacca • Dallas • Denver • Detroit • Frankfurt/Main • Fukuoka • Giessen
Havana • Heidelberg • Hong Kong • Houston • Kaiserslautern • Kanazawa
Karachi • Karlsruhe • Kobe • Kuala Lumpur • Kyoto • Lahore • London
Los Angeles • Madrid • Manila • Mexico City • Miami • Milan • Montevideo
Munich • Nagoya • Naha • Nuernberg • New Orleans • New York • Osaka
Paris • Penang • Phnompenh • Portland • Rangoon • Rio de Janeiro • Rome
Saigon • San Francisco • Sao Paulo • Seattle • Seoul • Shizuoka • Singapore
Stuttgart • Tangier • Tokyo • Tulsa • Washington • Wiesbaden • Yokohama

The risks of merger...



how to bring order to a
complex insurance problem

The very act of merger changes your corporate risks and liabilities as well as your employee benefit situation. Protection requirements of the new company inevitably differ from those of either predecessor. Result: a new and complex problem that demands immediate solution.

The unbiased counsel and service of Marsh & McLennan can be invaluable. Through broad experience with mergers, our insurance specialists, engineers and actuaries are well versed in fitting together divergent insurance and welfare programs—an exacting task. Our impartial approach brings order to the reappraisal of exposures, valuations, coverages, rates and forms, to the reconciling of differing management viewpoints and the maintenance of good employee relations, to the securing of insurance advantages made possible by the merger.

You will find our nationwide organization equipped for prompt service. Marsh & McLennan offices from coast to coast are fully staffed and ready to co-operate no matter where your merging companies are situated. We invite your inquiry.

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